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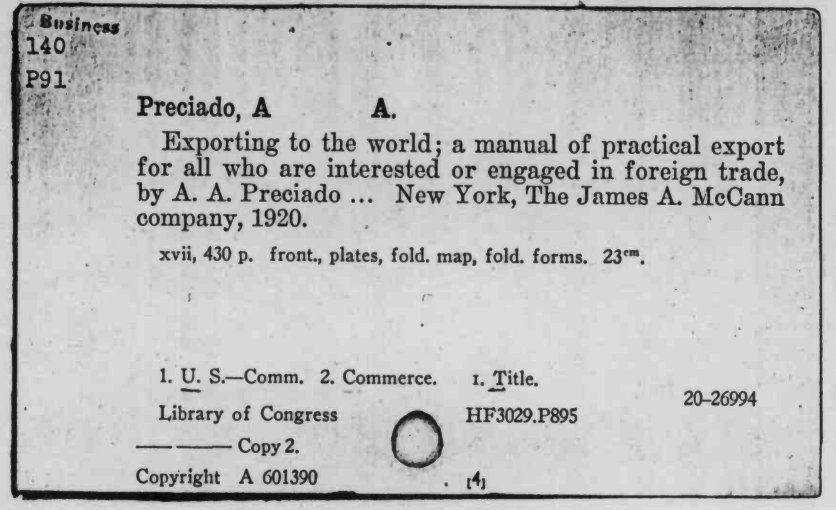

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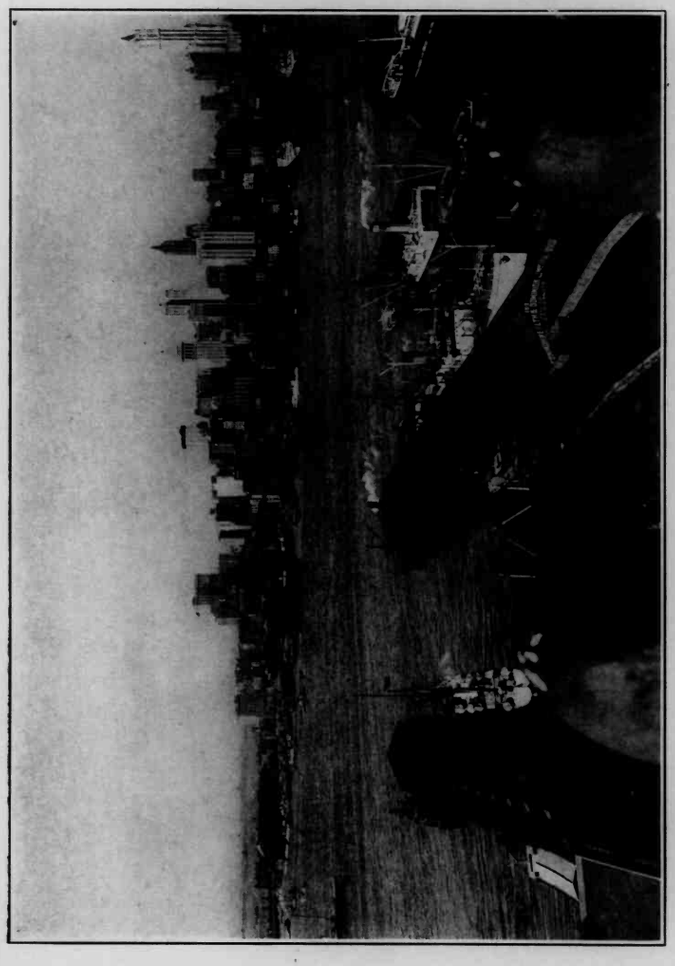

A corner of the busiest spot in the world where merchant princes daily gather to supply the populations of every country on earth with American-made goods. Notice the ocean freighters docked alongside the great warehouses ready to take on cargoes destined for distant lands.

EXPORTING TO THE WORLD

A Manual of Practical Export for All Who Are Interested or Engaged in Foreign Trade

BY

A. A. PRECIADO

Former Director of the United States Government Committee in the Republic of Chile, Author of "America's Monopoly in Latin-American Trade," "Foreign Trade a Necessity," "How Export Shipments Are Financed," etc.

NEW YORK

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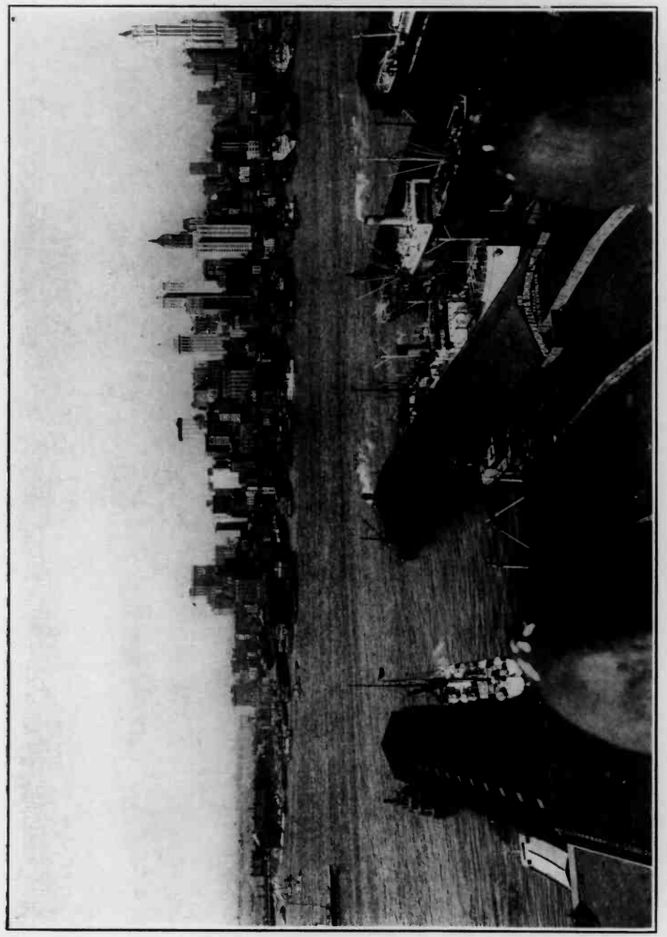

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INTRODUCTION

America is beginning to think internationally.

We have assumed a new mental attitude towards our neighbors of other lands and climes. We are learning to deal with them, talk with them, think with them, and act with them in affairs of international importance. Broadly speaking, their affairs are our affairs, for the interests of all are becoming so closely allied in world matters that statesmen, with rare foresight, have seen the necessity of the creation of a concrete organization such as The League of Nations, where all matters of dispute may be sifted lest from some irresponsible source an attempt be made to again compromise the peace of the world.

Naturally, the United States of America is sharing in this intelligent advance toward international peace and good will. The Great War has given us the proper inspiration to participate more fully in world matters than we have done in the past. We have come to realize that such participation—be it commercial, political or spiritual—is not only of lasting benefit to the American people as a whole, but to the world in general. Moreover, it is a necessary duty, because of our industrial and economic stability, that we owe to other nations whose development has been retarded as the result of conditions peculiar to individual political units.

We have become a great commercial and industrial power as well as a nation of tremendous political influence in world matters. We no longer think or act in terms of counties or states or sections, but in terms of nations and continents. We are no longer satisfied in confining our activities and thoughts within the boundaries of the geographical position we occupy on this hemisphere. We want to spread out. We want to widen our activities. We want to lengthen our vision. We want to become acquainted with our neighbors on this earth.

Before the war Europe furnished great quantities of supplies to the rest of the world. The wares of Germany, England, France, Belgium and Italy vied with one another on the shelves of foreign buyers. Europe was a great market place. It is none the less true, however, that we, also, shared a large amount of

this business with our competitors overseas; but the magnitude of our commercial activities at home, of which we were thoroughly proud, produced an atmosphere of self-satisfaction so dense that few of us really knew, much less cared, how large our foreign business had really grown.

General ignorance of our export trade volume has inspired many to say that "the United States is not an exporting nation," and that "we can never compete with the pioneer exporting nations of the world." We are not a great exporting nation in the sense that Great Britain is because we do not depend for our existence on what we sell to the world. England must sell to the world in order to live. Her home market is insufficient to devour the greater portion of the things she produces. The same was true of Germany before the war, of France and Italy and Belgium. It was necessary for these nations to market their articles in foreign countries because their own consuming populations were insufficient.

The reader's doubts as to America's strength in export trade will be removed by the following comparison which is made from the statistics of the United States Department of Commerce, July, 1918, referring to the foreign trade of belligerent and neutral countries in 1913, a year before the war, which must be considered as a normal one:

Export trade of	During 1913
United States	$2,484,018,000
United Kingdom	3,089,353,000
France	1,327,882,000
Germany	2,592,239,000
Italy	484,746,000
Japan	314,965,000

Now let us go back a few years to ascertain America's activities in export trade. The following figures, while including the exportation of raw material as well as manufactured articles, nevertheless serve as a striking illustration of the volume of our foreign business for the past fifty years:

Fiscal Year.	Exports.
1850	$144,375,726
1875	513,442,711
1890	857,828,684
1900	1,394,483,082
1905	1,518,561,666
1910	1,744,984,720
1911	2,049,320,199
1912	2,204,322,409

These figures, dry as they may seem, tell the story of a brilliant development of foreign markets for American products. They refute the argument that this country is not an exporting nation. As a matter of fact, ever since 1874 we have been selling to the outside world more than we have been buying.

It is also contended by those who have not made an analysis of our export trade that the larger part of this gigantic volume is made up of foodstuffs, and other crude materials—that very little of it represents manufactured articles. We need only to quote the figures of the United States Department of Commerce for a period prior to the war, as the abnormal conditions during the European conflagration should not be referred to in making comparisons.

Taken from a Department of Commerce report published in 1913 we quote the following:

"The success of the American manufacturer and the American workman in competition in foreign markets is sharply illustrated by the fact that the exportation of machinery from the United States in the year which ends with June, 1913, will exceed 200 million dollars, against less than 75 million a decade earlier, an increase of nearly 200 per cent., while the total exports meantime were increasing about 72 per cent.

"One striking feature of this growth is the fact that large gains have been made in exports of machinery to the other great manufacturing section of the world, Europe. Of metal-working machinery, the exports to Europe amounted to 2 3-4 million dollars in 1902, and in 1912, 9 1-3 million; of automobiles, 3-4 of a million in 1902, and 7 1-2 million in 1912; agricultural implements, 9 million dollars in 1902, 16 million in 1912; sewing machines, 2 1-4 million dollars in 1902, nearly 4 1-2 in 1912; and typewriters, 2 1-2 million dollars in 1902, compared with practically 8 million in 1912."

The foregoing figures represent only one division of manufactured articles. Of all our exports in 1880 only 14.78 per cent. represented our total manufactured goods, not counting foodstuffs. In 1913, however, the increase was phenomenal. In that year our manufactured goods represented 48.8 per cent. of our total export business. Crude foodstuffs represented 32 per cent. of our exports in 1880, but in 1912 a marked decline to 4.6 per cent. was shown. Foodstuffs partly or wholly manufactured also took a tremendous drop. It is in the export of manufac-

tured articles, therefore, that the United States has shown the greatest gain in recent years, even eclipsing the record of such manufacturing nations as the United Kingdom, Germany and France.

However, not until the war clouds settled in Europe, and industry was forced to close down in that continent did we realize the vast possibilities of developing the foreign markets to such an extent that we may always maintain a commercial and financial supremacy over all competitors. Peoples from other countries who had gone to Europe for their supplies in peace time now shopped in the United States. Our goods were introduced for the first time in many lands where the European brand practically had had the right of way. Our commercial travelers for the first time set foot in strange countries and influenced strange customers to test our lines. Our industrial plants made engines of destruction by night, and engines of peace by day. Our wares found cargo space in ships that sailed the seven seas. Purchasers for American-made goods were now to be found in the commercial centers of every continent. Our business men began to gather at the behest of our government and foreign trade organizations for the purpose of discussing further plans for intensive development of the foreign markets. The government's cooperation was assured in the gathering of commercial information, and other necessary data for the use and disposal of American industry. The study of export trade technique was encouraged in every section of the country. Schools took up the study of modern languages. Universities introduced courses in Foreign Trade. Newspapers, magazines, trade journals—all joined in the popular cry of the day, "Let's go after foreign business."

The old days are gone. Pre-war conditions—economical, industrial, and political—have given away to an awakened international conscience. The tremendous shuffle that the terrible war caused wreaked havoc with the old order of things. The commercial center of gravity that had rested in the United Kingdom for centuries has now shifted to America. The American dollar is becoming as well known the world over as the British pound sterling.

It has been contended that with the establishment of peace in Europe the United States will slowly but surely lose her hold on those customers who had been accustomed to buying goods in the Old World before the war. As these lines are written

Europe is still in a chaotic stage. In view of the wanton destruction that the war wrought it seems doubtful that a rapid return to normal conditions is possible—and in this readjustment the assistance of the United States is necessary.

Regardless of the loss of a certain volume of business which American manufacturers may experience as Europe returns to its peaceful labors, the preservation of a tremendous export trade is practically assured for this country. The remarkable growth of our exports during the war period has served a double purpose. It has advertised American-made goods to new customers, and it has afforded foreign buyers the opportunity of comparing the merits of the brands that come from America with those of our competitors. The success which we shall attain in holding our share of the world business will depend, not so much upon our ability to produce in tremendous quantities, but upon our ability to make the superior quality of an American-made article the distinguishing characteristic.

The American "Renaissance" of exporting has drawn thousands of men from their former labors to new opportunities. Manufacturers and merchants are daily looking about for men competent to conduct their export trade or to visit foreign territories to open up new business. Needless to say, there is a scarcity of experienced men in comparison to the great demand that exists. To thousands exporting is a new trade that requires training and study. This volume is intended to offer practical suggestions to manufacturer and merchant as well as to the young man who is endeavoring to grasp the export trade "slant" so that he may become better equipped to engage in some phase of exporting.

These chapters are based on extensive travel in foreign countries as well as on personal investigations that have sent the author into the offices of many successful export manufacturers who have been extremely generous in offering their experiences that they may be of some service to others.

Chapter I

PRINCIPLES OF EXPORT TRADE

Exporting not as difficult as many suppose it to be—Same business principles govern the world over—Unfamiliar conditions in exporting must be met—Success in exporting is measured by seriousness.

American business men who have not ventured into the field of exporting are imbued with the false idea that export trade involves a business practice distinctly different from that at home, that the ordinary rules of conduct peculiar to the American business organization must be placed aside when a plunge into foreign fields is decided upon, and that in order to master export trade technique all customary principles must be dropped so as to begin all over with a clean slate. This is not so. The theory that "you cannot teach an old dog new tricks" does not apply here. The business man who has successfully grasped the principles of doing business at home will learn that the mastering of the technique of exporting is accompanied with very little difficulty.

Same Business Principles Govern the World Over

Political boundaries, or different forms of government, or distinct climatic conditions do not determine the principles that govern commercial practice. The merchant in Canada or Java buys goods in order to sell at a profit just like the American merchant who is pursuing the same object. A merchant in Argentina is under a moral and legal obligation to pay for a bill of goods purchased in the United States or in another country, even though he is subject to the laws of his own country only. His obligation to pay is just as binding as if he were doing business across the street from the foreign merchant who supplied him with the merchandise. The principle that governs a sale in the United States is the same as the principle that governs a sale the world over. The heart

throb of commerce is the "turn over," whether it be in Singapore or in Quito. The stimulant that influences the "turnover" is quality, utility and price. The merchant depends on either of these essentials ordinarily for the success of his business. To sell his goods he must prove quality, and that they are of some service to the purchaser. The price must be agreeable. The Chinese merchant will not buy an article unless that article can be sold to a customer to whom it may be of service, or to whom it may have a strong personal appeal. Neither will be buy unless he is quoted a price that will enable him to sell at a profit. These conditions of a purchase or sale are not subject to the vagaries of boundary lines, different languages or distinct customs.

Exporting Not as Difficult as Many Suppose It To Be

Export trade is not difficult to handle. Neither is it charged with such grave mysteries as those who fear to risk it may lead one to believe. "How can I do business with a man whom I have never seen, and whose methods of doing business I do not understand?" inquires a merchant who receives an order from a man in Buenos Aires for machinery. He forgets that he is daily selling goods to hundreds of customers he has never seen in his own country. He turns down the order, yet the very same day he instructs his staff to fill an order for a stranger in California who is known to him only through correspondence.

What frightens the merchant in refusing the order from faraway Argentina?

It is ignorance of the mechanics that would be involved in the transaction. It is the risk that he fears he may have to take in accepting the order. He knows nothing about Argentina. To him it is a strange land. The language is not his own. Shipment of goods to a customer thousands of miles away does not appeal to him, and the question of payment is disturbing.

In doing business with a man in California, however, the merchant corresponds in the English language. He is in close touch with his customer, although he may not know him personally. He may be able to converse with him over the long distance telephone or send him a telegram and receive an answer in a comparatively short time. He has an adequate idea of the market in that state. He knows how to obtain his money in payment for his goods. Although his customer is many miles away he

feels a sense of security from loss because his shipment is subject to the same commercial laws with which he is entirely familiar. Moreover, he has no customs regulations to worry about. He knows only one money standard—and that is the gold standard of the United States. As a rule the American business man is conservative when it comes to making radical departures from a set policy. Anything that involves the incorporation of new details into the routine of the business, and that is not in accord with the established procedure, may invite antagonism at first. Going in for exporting is not a revolutionary act that decrees the death sentence upon the set principles of business at home. It is merely the determination to go after new business—to broaden the business vision and scope of the American merchant or manufacturer by acquiring a knowledge of foreign countries and an idea of the possibilities of those countries for the development of American commerce.

With little study and education on essential details regarding foreign trade the merchant who receives an order for machinery from Argentina may turn it into cash. He need not worry about the difficulty of communicating with his customer. A cable to Buenos Aires will reach its destination almost as soon as a telegram to California. If he wishes to communicate with his customer by mail there are any number of competent translators at all the principal ports who can handle his correspondence in the language required. The collection of money has been reduced to a very simple undertaking within recent years. The principal American banks in all our large cities are fully equipped to take charge of collections in countries where the merchant may have bills outstanding.[1] It will be seen, therefore, that the merchant will experience little or no difficulty in doing business with a customer in Argentina in spite of such apparent barriers as difference in language, customs and laws.

Unfamiliar Conditions in Exporting Must Be Met

In venturing into foreign countries in the search of new cus-

1—Mr. J. McCurrah, vice-president of the Continental and Commercial Bank, in an address before the Sixth National Foreign Trade Convention in Chicago, April 24th, 1919, said: "A careful analysis of the world's international business will show that the percentage of losses on foreign sales has been very much less than the percentage of losses in domestic transactions. While it is generally understood that the American manufacturer must of necessity be prepared to grant longer time credits than we have granted in the past, these credits will be readily financed by the American banks, if the exporter will give the bank an opportunity to investigate the moral and financial standing of the foreign buyer."

tomers, however, the merchant will learn that before he can make any strenuous efforts to develop a given market he must familiarize himself with a series of details such as have been foreign to his business routine in the domestic field. His foreign correspondence methods may disturb him at the beginning. His business may require correspondence in several different languages. This may mean the addition of competent translators to his organization. The difficulty of communicating promptly by mail with his overseas customer may tempt him to abandon his even temper at times. It takes a letter much longer to reach its destination in a foreign country than it does at home.

Each individual country has its own problems. Climatic conditions may limit the merchant's development of the market if he is engaged in selling seasonable goods. He may be forced to alter his packing methods in order to meet the requirements of his foreign customer. He must determine a price policy. Is he to charge more for his commodities in foreign countries or is he to make the same charges that he asks his domestic customers to meet, or is he to sell at a lower figure than he does at home? He must also decide whether he is to give reasonable credit to his foreign purchaser—a very important phase of exporting that requires early settlement.[2] The method of obtaining payment for his goods may confuse him to some extent, but as has already been stated, investigation and study of existing ways and means will convince the merchant that it is not as difficult as it may seem. He will learn, also, of new money values, and that the American dollar does not always maintain its par value in foreign countries. He will also become familiar with shipping details such as are peculiar to maritime commerce only. These are only a

2—"To ascribe the reluctance of many American manufacturers to grant to foreign customers credit terms, regarded by the latter as reasonable, to 'ignorance' is unfair in many cases. It has, indeed, happened that a manufacturer has refused to accommodate in the matter of credit a house of absolutely assured standing simply because 'cash against documents in New York' is his rule, but most American manufacturers declining to do business abroad on a credit basis do so because they feel that in some way or other they are not equipped for this class of business. The difficulty of obtaining reliable credit information regarding the financial standing of foreign customers, the danger of not receiving a sufficiently timely warning of any change in their financial condition, the fear of unfounded complaints, unwarranted deductions and unreasonable delays in payment, the impossibility of obtaining justice in commercial litigation in certain undeveloped countries, and the high costs of such litigation in other countries, and, finally, the consideration that a manufacturer who has invested his capital in his plant and patents depends naturally upon a reasonable speedy return on his investment and cannot undertake to finance a large number of importers in foreign countries—all these are weighty arguments for prudence."—Archibald J. Wolfe, "Foreign Credits," publication as Special Agents Series of the Bureau of Foreign and Domestic Commerce, 1913.

few of the new conditions that will arise in the development of the merchant's export business.

Success in Exporting Is Measured by Seriousness

The seriousness with which the merchant is disposed to enter the foreign field, and his willingness to take such risks as he has been unfamiliar with at home should be carefully tested before a decision to go in for exporting is made. If the merchant's seriousness is measured by a desire to "dump" a surplus lot of worthless merchandise on an unsuspecting foreign public without considering the future consequences, then he had better devote his efforts to the home market, where such practices will find encouragement in certain sections only. While such "dumping" tactics may prove successful the first time in a foreign country, disaster will surely follow a second attempt. This does not mean, of course, that there are no markets for cheap goods in foreign countries. There are several of them. Reference is here made to articles of a high competitive character where quality and utility are the prime factors that determine their success. The workmanship of these should not be sacrificed in order to make the price extremely attractive to the foreign purchaser. The world should not be a dumping ground for worthless stocks. What is not good for the American people should not be good for the foreign buyers. To be successful the American manufacturer or merchant must lay down his foundation securely. Surely he cannot attain this object by using flimsy material in the effort. Competition in foreign markets is keen. The efficiency of the American workman is matched against the efficiency of the world's greatest artisans. The American workman has proven his efficiency. He has proven his ability to make articles of a quality that has created a world demand. In order to maintain this demand we must continue to produce with the same skill that has marked our successes in the past.

Chapter II

PROBLEMS CONFRONTING THE EXPORTER

Study of market conditions an essential requirement—Some factors governing export trade—Manufacturer's aim should be to please the customer—Quality, not prices, determines success—Other factors that govern export trade

Before deciding to engage in export trade the manufacturer must settle in his own mind a number of matters that may affect a final decision. He must decide, first of all, whether he really desires to do exporting on a permanent basis. "Shall I stay in permanently or shall I stay out permanently?" is a question he must be able to answer before taking the first step forward. The cumulative value of exporting is the element that must survive the acid test. Isolated effort is worse than none at all. Unless a manufacturer is in a position to continue exporting on a permanent basis he had better confine himself to the domestic market, as spasmodic attempts to awaken interest in foreign fields are not only painfully expensive but wastefully troublesome in the conduct of business at home.

What Deciding to Go in for Export Trade Means

When the manufacturer decides to sell his goods abroad it is taken for granted that he has a sufficient amount of capital to lay aside for preliminary development, although it is not necessary to use a large fund for such purposes. As the monetary requirements of each individual manufacturer depend on his own peculiar organization, and the scope of his activities in foreign fields, it is absolutely impossible to name an arbitrary figure as representing the initial capital outlay that would be required. The amount of capital for foreign trade development depends, just as it does at home, on the extent of the activities contemplated, and the condition of the investor's surplus. No sane business man will recklessly devote a large amount of his accessible capital in testing new markets. A well defined idea of the

capabilities and requirements of those markets is the first essential of the practical business man. Therefore, in deciding to go in for export trade the manufacturer—it is taken for granted—has made a preliminary survey of the entire situation. First of all he has carefully analyzed his own situation. He has learned that he can increase his factory output by efficient management without extravagantly increasing his overhead expenses. He has learned that his product can be sold in other countries where the degree of civilization is advanced. He has carefully looked over the field for competent men to take charge of his exporting, and is satisfied that he can find fairly competent employes to entrust with such a delicate undertaking as export trade. He has made a close study of laws, regulations, rates, customs requirements, consular documents and hundreds of other details peculiar to the exporting business. Deciding to do exporting means the mastering of all these details, along with many others which will be taken up in subsequent chapters.

Study of Market Conditions an Essential Requirement

Good business judgment should dictate a careful survey of market conditions in the countries where the manufacturer is contemplating the development of a demand for his articles. The success of an article at home should not serve as a barometer that will determine its salability overseas. The American people spend millions in chewing gum every year, yet this is not an indication that the article would "go big" in foreign countries. The chewing gum habit has not at this writing been acquired universally. Breakfast foods, while enjoying a big sale in the United States and in Europe, are not very popular in Latin America, where the people by habit confine themselves to coffee and rolls as the first meal of the day. Again, climate may have a direct bearing on the success of a manufacturer's article abroad. The merchant who endeavors to market electric fans in Punta Arenas, Chile, or woolen underwear in the Panama Republic is doomed to lose some money. He should not fail to study the climatic conditions in foreign countries. With little effort he could have learned that the citizens of Punta Arenas are already blessed with a cool breeze that is practically perpetual, thereby dispensing with the necessity of artificial "air," while the people of Panama find plenty of comfort in a certain style of underwear

whose material and weight are in keeping with the climatic conditions peculiar to that country. Ignorance of weather conditions in Rio de Janeiro caused a merchant the loss of considerable money a few years ago. He had endeavored to unload a consignment of snow plows on an innocent public. The study of an atlas for a few moments would have saved this merchant considerable trouble.

Some Factors Governing Export Trade

Needless to say, the manufacturer must know what changes must be made in his article in order to meet the requirements of his foreign customer. In order to do this he must know more than climatic conditions or habits of the people. He must become familiar with special requirements and peculiarities of the particular markets he wishes to exploit. Failure to take this precaution will find him attempting to dispose of articles, the manufacture of which did not take into consideration certain factors governing their sale. For instance, in many countries of the world the metric system of weights and measures is prescribed by law. The American manufacturer who ships a consignment of instruments to a country where distance is read in terms of meters and kilometers, and weights in terms of grams and kilograms, without changing the reading thereon so as to harmonize with the prevailing system, would be committing a grievous blunder. Neither should he attempt to ship typewriters to countries where the prevailing language is Spanish without first equipping them with characters peculiar to that tongue. This, of course, involves the problem of changing the manufacture of these articles in a slight degree to meet foreign requirements. It is an experience that has been successfully met by American manufacturers who have altered their domestic plans to comply with the requirements of the foreign markets. It is one of the essential factors that must be considered in venturing into foreign trade. Probably too much unjustifiable criticism has been directed at American manufacturers who have refused to make a change in the manufacture of their product in order to comply with certain requirements in foreign markets. There are certain automobile manufacturers in this country who refuse to change the position of the drive from the left to the right in order to comply with the requirements of some Latin-American countries where the chauffeur turns to the left instead of to the right. This may possibly be due to stubbornness or, perhaps, to the impossibility of making the change without incurring considerable loss. It is possible, also, that the buyers of automobiles asking for these changes are unwilling to pay the extra costs that may be involved. It must be remembered that the basis of our industrial wealth rests on our policy of quantity production. While it is possible to turn out a tremendous amount of work from a factory that is geared up to produce in enormous quantities at a very low cost, yet a slight deviation from the methods of that production is likely to increase the price beyond all proportion. Hundreds of manufacturers in this country have turned down big orders from foreign buyers simply because they were unable to make the necessary changes in a product and at the same time secure themselves against loss. It is doubtful, however, if any manufacturer would turn down an order regardless of the minor changes required if he were assured of reasonable profits.

There is not an article produced by an American manufacturer that may not be sold in foreign countries. It is not so much the problem of finding something that will sell overseas as much as ascertaining under what conditions an article may be sold and where it may be sold to the best advantage. Take the maker of straw hats, for instance. Straw hats have a wide foreign market, but it is absolutely essential for the manufacturer to study climatic conditions in the various countries before he can intelligently dispose of his goods. By taking advantage of the different seasons he will find a sale for his hats for practically the entire year. In countries south of the equator winter is on its way when the people of the United States are basking in the sunshine of an early spring. When the straw hat selling season is over in this country it is about to start in Argentine, Chile and Uruguay. The automobile trade and clothing business enjoy a similar advantage.

Manufacturer's Aim Should Be to Please the Customer

We sell in order to make a profit. The customer is interested in an article which he has accepted because it has an element of utility to him. It has a degree of quality that is satisfactory, and the price is reasonable. Generally speaking, it makes no difference to the purchaser where the article comes from as long as

it meets his requirements. The manufacturer cannot impose an article upon an unwilling customer and expect to build up his trade on that basis. We must remember that the development of a successful export business does not depend so much upon our facilities to supply the world with our commodities as it does upon our ability and willingness to please our customers. This, as has been explained already in this chapter, may involve a readjustment of factory processes, and this question will require disposal by the proper executive only. But a definite policy must be established at the outset. "Shall I change my methods to meet foreign requirements or shall I endeavor to sell what I have already manufactured?" This is the question that the manufacturer must settle definitely. Under date of December 7, 1915, at the convention of the National Association of Manufacturers in New York City, Dr. E. E. Pratt, former chief of the Bureau of Foreign and Domestic Commerce, made this statement: "I wonder if most of the manufacturers who intend to embark in an export trade realize that a definite policy must be adopted at home as well as in the foreign field. As a matter of fact, some of the most important decisions which the manufacturer can make with reference to foreign trade are to be made at home with reference to his home organization, with reference to his methods in the United States, with reference to production in his plant, and with reference to matters which are seemingly not directly in the foreign department.

Factors Determining Success of Manufacturers

"Are you, as a manufacturer, going to manufacture for export, or are you going to export what you have manufactured? The difference between these apparent similar statements is the difference between success and failure. I have already referred to the plow manufacturer,[1] and I would like to carry that illustration a little farther. I know of one plow manufacturer who

1. "Plows vary not so much with the taste of the plowman as with the character of the soil in which the plow will be used and the species of animal that will draw the plow. Plows of differeent types are used in the different sections of the United States. Similarly, plows of different types are used in different countries. The manufacturer, therefore, must find out the soil conditions and must export to a certain market the type of plow which the soil conditions there require."—Dr. E. E. Pratt, former chief of the Bureau of Foreign and Domestic Commerce, in a statement before the International Trade Conference in New York City in 1915.

sent a man to Argentina. It was his business to get the facts about conditions there. He actually worked in the fields. He found out exactly the kind of plow that was suited to that particular trade and to those peculiar soil conditions. He sent a cablegram, at a cost of many hundred dollars, instructing the manufacturer in detail as to changes which must be made in order to meet the conditions in Argentina. The factory superintendent objected. 'We can't make those changes,' he said to the manufacturer; 'it would involve the changing of all our manufacturing methods.' But the manufacturer knew his business and he knew his man, and so he said to the superintendent: 'I have confidence in the man I sent to Argentina, and the plows for that market are to be made in the way which he desires. You follow his instructions.' The result was that a large, profitable business was built up in Argentina. That is what I mean when I refer to a home export policy, and this illustration also shows the need of executive direction."

Altering of Product May Be Required

It is of prime importance, the foregoing experience shows, that the manufacturer should realize from the start that export trade may involve radical changes in the making of his product, and that he must either be prepared to make them and cater to the markets he desires to exploit or refuse to alter his domestic policy and therefore keep away from foreign trade. This problem has been overcome by large plants whose quantity production has enabled them to sell to the world at a very low price. Henry Ford's automobiles are known in practically every section of the globe where automobiles are in use. However, Ford has had to alter the drive of his automobile from the left to the right in order to meet the requirements in certain Latin-American countries. In Chile, for instance, the driver must turn to the left. Therefore, he must have his drive on the right.

A striking illustration of a manufacturer's desire to please is related in "Export Trade," a New York export journal. It tells the story of a German salesman who was able to discover a weakness in a customer for a pocket knife with an illustrated handle. The story was told by an American salesman. It says: "On one occasion while traveling through Mexico I purchased a pocket knife which had attracted my attention because of the pretty

medallion in the handle, displaying the face of a dark-eyed senorita. I thought I had captured a sample of Mexican cutlery, but my delight did not last long. A few days later I happened to meet a German drummer, and on showing him the knife as a specimen of Mexican skill he laughed heartily. 'Why, I sold those knives myself,' he said. 'They were made in Germany.'"

What has been said does not necessarily mean that the manufacturer must keep on continually changing or altering his article to meet foreign requirements. Such practice, it will be found, is rather an exception, and not the usual rule. However, the average American manufacturer will listen to reason, and once convinced that he can profitably change his product in order to cater to the specific requirements of a certain market he will be the last person to turn down the proposal.

The habits of hundreds of years may not be changed overnight by an enterprising American traveling salesman, or anyone else for that matter. It has been tried without much success. But when the people of a foreign country have been accustomed to an article of an inferior type it should be within the bounds of discretion to endeavor to introduce one of superiority and not a poor imitation that merely conforms to the customs of the people. For instance, the author has seen some ponderous keys in South America, so large that they require a joint in the center to permit doubling up in the pocket. They were made in England. The practical American lock and key are far superior to the British make, and the wise manufacturer will not only refuse to follow the British style but will insist on showing the purchaser the advantages of his own manufactured ware.

Quality Not Prices Determines Success

Nothing does more to harm our nation's good name than the disposing of worthless articles bearing the American trademark in foreign countries. A cheap article made in America reflects not so much upon the maker of that article as upon the country as a whole. During the war complaints from new customers in foreign countries against the poor quality of merchandise that American exporters had shipped to them were quite numerous. This is true particularly of South America, which was the objective of inexperienced salesmen in foreign countries during the war. These men, believing that the South Americans would

"fall for" lines that had had considerable difficulty in the United States, carried along with them trunk loads of samples, hoping to reap a rich harvest, but to their amazement they discovered that their intended Latin-American victims were just as exacting in their selection of merchandise as some of the shrewdest American buyers.

Witness the reputation of a certain nation in the Far East. This country has become extremely diligent in exploiting new markets. With its cheap labor and the use of cheap materials it has been able to produce low priced goods and for a time succeeded in disposing of tremendous quantities of goods to unsuspecting customers. It is yet a dangerous contender in the world markets, but its cheap priced articles failing to bear up, an unenviable reputation has been the result among some of its former buyers. The matter has become so serious that legislation is contemplated to prevent the exportation of articles from that country which fail to pass the test of quality before a board of competent commercial authorities.

The foreign buyer seeks quality in an article as a general rule. The price is a secondary consideration. American-made goods are noted the world over for the skill that has been devoted to their making. Of course, there are articles such as raw materials whose sale depends on the price at which they are offered in competitive markets. In this classification such staple products as wheat, coal, corn and cotton are included. But the great percentage of articles manufactured in this country are not subject to competition on a price basis. To further illustrate the point, we have in this country several different makes of automobiles, and watches, and fountain pens and typewriters. Some of these articles do not depend on the reasonableness of the price for their popularity. The arrival of a popular priced car in the market did not cause the factories producing the more expensive cars to close down. There is a typewriter so cheap in price as to be tempting to anyone having a use for such an article, yet it has not forced its more expensive competitors from the market. The Japanese government flooded certain markets with an imitation of a well known American fountain pen. The price was much lower than the American make, but the latter kept on selling. It was quality that brought results.

American-made Goods Compete in Europe

Before the war our manufacturers invaded some of the most highly developed countries in Europe from the point of industry. Germany had been a great competitor of the American producer of typewriters, farm implements, electrical machinery, automobiles, sewing machines and wearing apparel, yet our merchants sent their wares to the heart of Germany and successfully competed against articles of Teutonic origin, and this in spite of the fact that increased overhead resulting from ocean freights and customs duties had to be met. Also, our furniture and shoes are being sold successfully in Chile, where local products of a similar character have won favor. The American shoe manufacturers' development of the market in Chile and other South American countries was made rather difficult by the necessity of changing the style of the product. The people in those countries have been accustomed to a short vamp with the round tip, a style brought over from France. The American makers of shoes now provide those countries with either round tips, or pointed tips, which is peculiarly an American fashion.

The abundance of California's grapes does not prevent Spain from shipping this delicious fruit to this country. After all, there is a certain attraction for "imported" goods whose characteristics of having been made abroad assure it a ready sale among a certain element of the native population regardless of the merits or price of a locally made product.

"Made in America" is a label that has won prestige in foreign countries. Foreign buyers—and they are most exacting—have learned to place implicit confidence in commodities bearing the American trademark. They know that we do not produce trash here. We have made it possible to put quality into our products through our highly developed industrial system. We have been able to effect quantity production without impairing quality. We have mobilized an army of the most competent workmen in the world, to whom we have paid the highest wages of any workmen in any country. Their standard of living has been high and yet we have been able to compete in foreign markets with countries that have had the apparent advantage of lower labor costs. What is the answer? It is the quality of our material that has won us markets. We should have no faith with those who insist that the reduction of wages is essential to successful competition against the cheap labor of other countries. The contrary has practically been proved.

Other Factors that Govern Export Trade

A superficial study of conditions in any given market is not enough. The manufacturer who is preparing to extend his business overseas should know as much about the territory he aims to cover as far as essential information is concerned as he does about the various markets at home. He should not only study the history of the country—which serves as a basis for intelligent observation—but also the degree of civilization to which the inhabitants of the country are accustomed. A manufacturer of pianos may not find a very extensive market for his wares in Haiti, but a careful study of the civilization of Australia will assure him of success in that line in certain sections of that country.[2] Needless to say, the difference in the degree of civilization between one country and another is the difference between success and failure in the sale of luxuries to which the people of highly civilized countries have been accustomed.

The prosperity of a country depends upon the stability of the government as well as upon its natural wealth. No matter how rich in minerals or agriculture a country may be, it can never enjoy the fruits of its wealth while those in power govern unwisely and inefficiently. The government must be stable. Witness the case of Russia representing an inefficient and unwise government, and Mexico impoverished by almost perpetual revolution. The study of political conditions should be just as important to the manufacturer as the study of commercial and industrial conditions.

In normal times steamers follow their schedules almost as precisely as railroad trains of highly developed transportation systems. The world's greatest ports are well equipped with modern facilities for the quick loading and unloading of cargoes.

2. "There is probably no country in the world where pianos are more used, in proportion to population, and are considered more necessary as features of home life than in Australia. The local piano trade seems to follow closely the local marriage statistics, a piano being considered almost the first essential of domestic life, so that it becomes the usual circumstance for a newly married couple to buy a piano, the easy time payments preventing any financial hardship in so doing. No matter how humble the home, nor how remote it may be from large cities, a piano is usually a leading feature of it."—Daily Consular and Trade Reports, February 8, 1911.

These ports are reached by the leading ocean highways and commerce is conducted with very little delay. Such ideal conditions do not prevail all over the world, however, and the manufacturer must take into consideration the location of ports that he wishes to ship goods to with respect to their proximity to the principal ocean trade routes.

Kind of Population Determining Factor

The manufacturer should not be misled into the belief that the success of his foreign trade depends on population figures—that greater the population, greater the volume of his business. The level-headed business man wants to know more than the total population of a given country or continent. The fact that China has a population of over 336,000,000 means nothing to him unless these figures are accompanied by data giving an idea of the class of people that make up this population. Neither will the statement that British India has a population of over 300,000,000 people give the manufacturer an idea of the purchasing power of the inhabitants. According to the Statesman's Yearbook for 1912 the population of Bolivia was 2,521,000, while its purchasing population was 214,000. The population of Cuba in the same year was 2,474,000, while its purchasing population was 1,026,000. This indicates that total population must not always be relied on as an essential factor that determines the potential buying power of a market.

Chapter III

METHODS OF EXPORTING

SELLING METHODS INVOLVED IN EXPORTING DIRECT—USING TRAVELING MEN TO DEVELOP TRADE—DEVELOPING TRADE BY CORRESPONDENCE—ADVERTISING AS A MEANS OF DEVELOPING BUSINESS—THE EXPORT COMMISSION HOUSE AS AN EXPORTER—THE EXPORT MERCHANT

There are two essential methods of exporting. They are as follows:

Direct exporting, or indirect exporting.

The manufacturer must choose between these two methods before beginning business. Then, after settling this phase of the problem, he must again attack it from a new angle. If he decides to do exporting direct he must decide on a definite policy in connection with this plan. If he decides to do exporting by the indirect method, then his worries will be practically over. Ordinarily, the difference between direct exporting and indirect exporting is the difference between being an exporter or not being an exporter.

Selling Methods Involved in Exporting Direct

The manufacturer choosing to sell direct to foreign customers becomes a full-fledged exporter in the real sense of the word. He has decided to exploit his own markets, to choose his own methods of developing business, and to shoulder the entire responsibility. He has a hundred and one problems to solve, the most important one being the method of developing the foreign market. Each method may depend on the character of his products, the amount of capital he has at his disposal, or the specific market he desires to exploit. The essential methods of selling direct are as follows:

Through traveling salesmen.
Through correspondence.
Through advertising.

Through foreign branches.
Through foreign agencies.

Using Traveling Men to Develop Export Trade

The manufacturer who can afford to send a traveling salesman to lucrative markets after he has carefully investigated their possibilities for development is certainly selecting the ideal way of obtaining business. The personal element is just as important a factor in the foreign field as it is at home. The traveling salesman supplies that element. Experience will dictate to what countries the traveling salesman should be sent. It is possible that the salesman will be confined to a limited market where the results obtainable will justify the expenditure of money on personal representation. No manufacturer or exporter has been known to send traveling salesmen to every portion of the globe. In the first place it is needless, and in the second place, it is too expensive. The most careful manufacturers and exporters first study their field, and then decide what markets shall be exploited by traveling salesmen and what markets shall be exploited by other methods.

Developing Export Trade by Correspondence

Export business can be developed through correspondence. This is, indeed, an economical way of launching into foreign trade, but at the same time it requires a technique in the handling of foreign correspondence that very few American manufacturers can boast of. It requires tact. It requires diplomacy in letter writing. It is much more difficult to write a letter to a person one does not know than to a personal friend. The manufacturer must understand the preparation of correspondence material that will not only interest the foreign purchaser who may be thousands of miles away, but will draw an inquiry as well, and later, perhaps, turn that inquiry into an order. Considerable export business has been developed in this country by the correspondence method, but only through the intelligent and skillful way in which the successful manufacturer employed it.

Advertising as a Means of Developing Business

Advertising is an important element in the development of an

export business in whatever direct method the manufacturer has decided to follow. If the manufacturer decides to send a salesman to foreign countries he must do a certain amount of advertising. If he decides to obtain foreign customers through correspondence only, advertising must be employed. If he decides to develop his export trade by using foreign agents, he must consider advertising. If he feels that he can afford the establishment of a foreign branch, he must do advertising to exploit the field. Advertising involves the study of foreign media, of local media that circulates in foreign countries, the psychology of the people in the country where he wishes to sell his merchandise, their habits, customs and the degree of their civilization. It also involves the study of American foreign trade journals that circulate in foreign countries.

Foreign Branches as Means of Developing Trade

Provided the volume of business warrants it, the establishment of a foreign branch is a splendid effort toward developing a foreign trade. Some of our successful export manufacturers are enjoying a lucrative business as the result of business foresight in the establishment of foreign branches. The foreign branch affords the manufacturer the advantage of keeping in close touch with the market. Warehouses may be conducted in connection with the foreign branch. In these warehouses may be kept large quantities of goods in order that prompt deliveries to customers may be effected. The branches may also include show and sample rooms where customers may visit them to inspect the merchandise they wish to have sent to their business houses. This relieves them of the necessity of making long journeys to the United States for this purpose. Again, the manufacturer with a foreign branch is independent of selling agents and merchant houses alike. His credit problems are reduced to a minimum as he is on the ground to investigate the customer's capabilities of meeting his obligations.

The Foreign Agent as Export Trade Developer

Hundreds of commission agents living in overseas ports depend for their bread and butter on their sale of foreign-made

articles to which they have been entrusted by manufacturers. American commission houses have for many years recognized the importance of these foreign agents in the handling of their business abroad. American manufacturers, quick to grasp the advantages offered, are now making suitable connections with these representatives. Often these commission agents are members of old established institutions that not only command a large business in their own districts but the business of rich sections of the country by means of distributing centers as well. The manufacturer, however, must be careful of the foreign agency with whom he establishes connections. Sometimes these houses are not what their letterheads indicate. Their credit standing may be shaky. In this day of specialized effort, however, it is not difficult to obtain reliable credit information on merchants in foreign countries. The manufacturer must also know the lines his agent handles. If the market is highly developed the foreign agent may confine himself to allied lines, such as office equipment or typewriters, while in the lesser developed markets he may deal in articles ranging from needles to pianos. It is, therefore, essential that the manufacturer inform himself on the extent to which the market has been developed, as well as on the character of the goods his foreign agent has for sale. In making proper connections with a foreign agent the manufacturer will enjoy the advantage of being represented in the local field by a well established organization whose standing in the community may be a distinct asset. The manufacturer must also take into consideration the element of personal influence on actual buyers, which, after all is said, is the most powerful force to be considered in selling effort. There are also the advantages of carrying only one foreign account in the domestic books, of worrying over only one credit risk, and of the assurance, perhaps, of a certain volume of business.

Selling Methods Involved in Indirect Exporting

The direct method of exporting involves the establishment of an export department as well as the creation of some sort of selling policy. It involves the handling of all the details peculiar to the shipment of goods overseas as well as the assuming of the risks in connection with the granting of credit to foreign purchasers. Perhaps the manufacturer is not in a position to

assume all these duties and yet desires to sell his merchandise in foreign countries. Perhaps he is not capable of financing his overseas sales. In such a case what can he do? He may turn over his business to a middle man. There are many kinds of middle men. The following constitute the essential agencies through which a manufacturer may do business in foreign countries:

The export commission house.
The export merchant.
The manufacturer's export agent.
The export forwarder.

The Export Commission House as an Exporter

The export commission house is a very old institution in foreign commerce. In England the operator of an export commission house is called an indent merchant. The indent represents the order the commission house receives from a foreign client. The export commission house may be found in all the principal American ports. The functions of an export commission house, theoretically, are not to sell American merchandise in foreign countries, but rather to act purely as a purchaser of American commodities for foreign buyers. The early history of these export commission houses shows that it was not their practice to charge the manufacturer a commission for the work it was engaged in performing for the foreign buyer. In late years, however, the commission houses have been known to be making charges to the manufacturers as well as obtaining a commission from their foreign clients. It is argued by the commission houses that the small commission charged to their foreign clientele—fixed by custom—is so small that it is impossible to obtain reasonable returns in this present day of the high cost of doing business. Neither is it the function of the export commission house to exploit the foreign field for the manufacturer. It represents the buyer, not the seller. It will buy goods only on the best terms obtainable, and only when it has actual orders from the foreign buyer to execute. On the other hand, the manufacturer is entirely relieved from such details as the shipment of goods and the collection of his money. The commission house finances its own shipments. Ordinarily, the manufacturer is paid for his

merchandise on the usual domestic trade terms. Within recent years, however, the export commission house has been extending its activities to such an extent that its original function has been practically lost sight of.

The Export Merchant as Seller of American Wares

Another intermediary is the export merchant. His functions of late have become so closely intermingled with those of the export commission house that it is difficult to make a distinction. The export merchant in theory does not buy or sell on commission. He purchases outright and sells outright for profit or loss. He has established branches in certain markets. Sometimes he operates retail stores in connection with these branches. The manufacturer, as in the case of the export commission house, originally could expect any special selling effort or service from the export merchant.

The Manufacturer's Export Agent as an Intermediary

As a comparatively recent product in the United States the manufacturer's export agent may appeal to the manufacturer. It is the manufacturer's export agent's duty to exploit the foreign market for his client's goods. That is his business. He also relieves the manufacturer of all details pertaining to shipping for export or financing the shipment of goods abroad. As the functions of these manufacturer's export agents differ it is necessary that the manufacturer make a close study of the advantages offered by the various representatives before making a permanent connection. Some of them charge commissions for their work, while others demand regular monthly payments. Still others have a fixed salary and an expense account which is provided for by the various manufacturers interested on a pro rata basis. Some confine themselves to allied lines, while others engage in obtaining representation for any line that is of merit, regardless of its character.

The Export Forwarder as a Middle Man

The export freight forwarder is not a selling agent. His

functions are to ship goods to their destination, thereby relieving the client of all the details peculiar to such activity. He ships goods to any part of the world in any quantity. He attends to all shipping documents, places the goods on board the steamer, and delivers to the foreign purchaser. Sometimes he executes orders in foreign countries, but this is not a part of his regular functions.

Other Indirect Selling Methods Open to Exporter

The allied company and the selling company serve as types of other organizations that the manufacturer may find profitable to join. The allied company takes over the firm's name for a definite territory. It may involve patent rights in foreign countries. The allied company may be under the management of men financially interested in the export manufacturer's business or under the management of outsiders. The allied company's methods may involve financial responsibility to a certain extent in the industries of those manufacturers whose products are represented. The allied company may even manufacture abroad.

The selling company differs from the allied company in that it confines its activities purely to selling. The chief service that the selling company renders is the more rapid development of foreign markets.

As the export trade of the United States is rapidly growing, hundreds of new organizations are being formed to participate in this wave of prosperity. As these new companies spring up they offer the manufacturer new inducements of one kind or another. Some are good and some are bad. The manufacturer is cautioned to watch his step in conferring with these budding organizations before making any permanent agreement to enter foreign trade.

Chapter IV

ORGANIZATION OF EXPORT DEPARTMENT

EXPORT DEPARTMENT NEED NOT BE AN EXPENSIVE AFFAIR—SELECTING AN EXPORT MANAGER FOR THE BUSINESS—SOMEONE IN AUTHORITY AS EXECUTIVE HEAD—WHERE IS EXPORT DEPARTMENT TO BE ESTABLISHED?—ESSENTIAL UNITS IN EXPORT DEPARTMENT

When the manufacturer resolves to enter export trade it is taken for granted that he is prepared to assume all the burdens peculiar to shipping and selling to foreign customers. The matter of establishing an export department rests now on his own shoulders. He must exploit his own market, maintain his own sales force, conduct his own advertising propaganda, make his own market surveys, investigate the credit standing of his prospective customers, make his own collections, and assume a multitude of other small burdens in connection with the export business. However, as a direct exporter he has the advantage of handling his own goods, and of cutting out the middle man's profit. He comes in contact with the market personally. He builds up his own business. The middle man does not do this for him, as a rule. As a direct exporter he has that personal interest and enthusiasm in the success of his pet products that no commission man or export manager may have. This is the element that is inspiring many manufacturers to organize their own export departments and sell direct to foreign customers.

Export Department Need Not Be Expensive Affair

The organization of an export department need not involve the expenditure of a considerable sum of money in the beginning, unless, of course, a manufacturer's business is so extensive that additional capital is accessible for the establishment of a thoroughly equipped division whose chief functions shall consist of

the management of the foreign business of the company in all of its details. But for the small manufacturer—the man of moderate means—who desires to adopt a sound pay-as-you-go policy of developing the foreign markets, the logical course to follow would be to absorb the additional duties required in exporting in his existing organization, with an export manager in charge who shall devote his entire time to the details. Even then there should be close supervision by someone interested in the business or by some trustworthy employe so that all problems arising from time to time may be settled with some degree of intelligence. Export trade is, indeed, interesting. The person in charge deals with all manner of people, who follow different methods of living, and of thinking and of speech. Today he may be communicating with a customer in Egypt and tomorrow with a customer in Siberia. His desk is the hub of a wheel whose spokes reach out in all directions. The export head of the business is truly a man of the world. He becomes broadened and he can look at things from the other fellow's viewpoint. The establishment of an export department need not involve extra buildings, or special departments. It can fit right into the routine of the domestic business—and succeed.

Selecting an Export Manager for the Business

Although the field is quite full of applicants for the position of export manager, the manufacturer will find not a little difficulty in obtaining a competent person to fill the bill. In New York City alone there are hundreds of young men whose only claim to consideration rests in their ability to speak and write in a foreign language. This is not enough. A successful export manager should be more than a linguist. He should be a student of countries, market conditions, political developments in foreign countries, and, above all, a commercial diplomat. Moreover, he should be a gentleman in every respect, as he will come in contact with buyers from foreign lands whose degree of culture and learning may be surprising to the provincial American business man. As an export manager is expected to transact a large volume of business through correspondence with customers he does not know it is of prime importance that he be particularly

skillful in dictating letters and in avoiding certain expressions in his correspondence so common to the American business man of average intelligence. For the young man who is seeking a career which may grow with America's export trade here is an opportunity that should exercise his initiative and enterprise to the fullest extent, and consequently bring adequate financial returns.

Who Is Capable of Filling Export Manager's Shoes?

Perhaps the manufacturer's first thought in looking around for an export manager will be to advertise in the newspapers. His morning mail will probably consist of applications from export managers already connected with other firms, or from persons claiming to know foreign countries and one or two foreign languages. Perhaps the mail may bring in the applications of young men who have just completed a course in Foreign Trade in some school or college. The colleges and universities of the country are now paying particular attention to the teaching of subjects aimed to fit young men for foreign trade service. These institutions are doing a worthy work and place at the disposal of the student valuable information that is essential in foreign trade. A domestic sales manager, also, may present his application along with a record of his sales efforts at home. His own sales manager may be a contender for the position.

Of all these candidates the most promising is the export manager from another firm. The manufacturer who is able to obtain the services of an export manager who is thoroughly experienced in the business is, indeed, fortunate, as their number is limited. The export manager not only introduces an export system into the manufacturer's organization, who may bring along with him an invaluable experience which years of hard labor has accumulated.

The sales manager is a likely candidate. The man who is able to sell goods in the domestic field, and who has had experience in directing salesmen and selling campaigns should make an efficient export manager. Possessing this knowledge of doing business at home, it is only a question of time when he can master the "slant" of export trade. If the manufacturer can afford to take his own sales manager from his domestic berth by all means he should give him the opportunity of conducting

his export department. By following this course he need not go out of his own organization in search of an export manager. Instead, he will be throwing the responsibilities on the shoulders of one who is already acquainted with his products and organization.

There may be in the organization a young man who displays considerable ability for organization and the handling of details, and who has indicated a willingness to grasp the principles and technique of export trade. Under careful direction and training a young man possessing these qualifications should soon be able to take complete control of the export business of the concern.

Someone in Authority as Executive Head

No matter who the manufacturer selects to conduct his export department there should always be someone in authority—someone financially interested in the concern—who should serve in the capacity of court of last resort in matters demanding executive decision. From time to time the export manager will submit propositions and suggestions concerning the development of the business overseas. The export manager should not decide these things alone. He should merely submit his recommendations. The executive in charge should also be responsible for the amount of experimentation in a foreign market. He should determine whether a change in the product is justified by the returns promised. He should serve as the final judge in matters involving credit problems. The determining of a market policy which involves the use of salesmen exclusively or correspondence and advertising exclusively, the establishment of branches or the appointment of foreign agents are other matters that demand executive attention should rest with the executive in charge. Is the manufacturer going to sell direct to wholesalers or to retailers or to consumers? This is a question that the executive must answer.

Where Is Export Department to Be Established?

Let us suppose the manufacturer has selected his export manager. The next question is, "Where shall I establish my export department?" He must decide between the factory and the principal port. If he establishes his export department at the factory

he will be giving his export manager the advantage of close contact with the business, and an opportunity of not only directing the invoicing of the goods and their proper packing, but of offering practical suggestions in the method of production that the peculiarities of the different markets demand. When certain difficulties relative to shipping instructions arise the export manager is on the ground to clear them away.

On the other hand, if the manufacturer wishes to establish a separate export department at the principal port he will be giving his export manager the advantage of being in close touch with the buyers who are constantly visiting this country, and with shipping conditions, so that he may be able to direct his own shipments without employing a foreign freight forwarder or some other intermediary. Established at the principal port, the export manager also has the advantage of keeping his fingers on the pulse of export trade. He meets with other members of his fraternity of business with whom he may be able to exchange views. The buyers of hundreds of commission houses are stationed at the principal port. It is to the advantage of the export manager to keep in close touch with these representatives. It is possible, also, that he may be able to finance drafts on foreign buyers much more economically than it is possible at some interior point where the facilities of financing foreign trade shipments are inadequate.

Export Department Should Be Well Equipped

Wherever the export department is established it should be the aim of the manufacturer to equip it with a library that should contain all available literature on the subject of exporting, together with accurate atlases and official data. This will add to the efficiency of the export manager. The manufacturer should subscribe to all the leading export magazines, as well as to the publications of the United States Bureau of Foreign and Domestic Commerce which deal exclusively in foreign trade matters. The reports of the conventions of the National Foreign Trade Council and of the American Manufacturers' Export Association are also valuable. The Philadelphia Commercial Museum is splendidly equipped to offer valuable information on all matters pertaining to export trade, as are also a large number

of Chambers of Commerce in other cities. The Pan-American Union is not used enough by American manufacturers seeking information in connection with trade problems with Latin-America. The Pan-American Union, located in Washington, D. C., is supported by twenty-one republics of the western hemisphere, and its functions are to bring about closer political and commercial relations between the countries involved in the organization.

Essential Units in Export Department

We know now that there must be an executive in charge of the export department aside from the export manager. We know that the export manager is in charge of the details peculiar to exporting and is responsible for his acts to the executive, who may be the manufacturer himself or someone financially interested in the concern. But the export manager must have assistants. If the business does not justify a distinct personnel from that already employed in the domestic field then it is simply a matter of adjusting the new duties to the employes who conduct the domestic business.

However, if the manufacturer is determined to equip his export department with an entirely new force he will learn he has quite a job on his hands. In the language of Mr. D. E. Delgado, export manager of the Eastman Kodak Company, who gave an address on "Export Technique" before the Sixth National Foreign Trade Convention in Chicago, "the greatest trouble manufacturers have in developing foreign trade is lack of competent and plentiful help with export knowledge of languages and details, and time and again business has been lost because of continued petty annoyances caused by inexperience or badly informed correspondents."

Mr. Delgado continues: "After long experience in the export business with an organization which is supplied with means sufficient to obtain that which is most desirable, it is my opinion that a party going into the export trade should begin by selecting a man to look after the development of business; one who has traveled, is thoroughly posted on export dealings and, if possible, one who has a knowledge of foreign languages. He should receive all incoming mail and read all outgoing mail signed by the correspondents and, in turn, he should divide the detail work and correspondence by terri-

tories between the other men who would be made responsible to him for the success of the sales and connections in their territories. The export manager must arrange the detail work in such manner that he may be able to make various trips, say, one every year, until he has visited all the countries with which he is doing business, and do the missionary work necessary in new territories so he may know where to send his salesmen and what to expect from them under the conditions. It frequently happens that a class of merchandise will find ready sale with comparatively easy work for a salesman in one territory, while a man working a great deal harder may not obtain as many orders in a territory close by, and the export manager should be sufficiently posted to properly judge the ability of his men, which he cannot do unless he visits the territory and becomes aware of conditions, such as competition, purchasing power of the inhabitants, etc. These men should be sent out yearly to cover all or part of the territory and return to the office to handle correspondence, etc., and keep in touch with it. Of such men would be required, first, experience in the shipping business; second, knowledge of some of the languages of the territory which he is to direct; third, traveling experience; fourth, a man who can code a cable efficiently and economically and who will not hesitate to use cables when necessary; competent to correspond in the customers' languages, or at least capable of writing, in addition to English, French and Spanish; the advantage of the man who controls French and Spanish being that he could write French and English to the Mediterranean and European countries and French and Spanish to Asiatic and Latin-American countries. Further, such man should, as soon as he is acquainted in a general way with the line of goods of the manufacturer, be sent to sell goods in the territory, for the purpose, not merely to sell merchandise, but to get acquainted with the customers and conditions in the various countries with which he will do business. When this man returns to the office, he will be able to produce far better results, far in excess of what could be accomplished by many years of continued correspondence without personal acquaintance, and will be fitted to maintain friendly business intercourse. The first two mentioned conditions would be sufficient if the man is capable.

Export Manager Should Control Export Credits

"The manager of the export department should also have control of export credits, or the credit manager should comply with the arrangements made by the export man, for the reason that it frequently occurs that perfectly responsible foreign firms ask for extension of time on drafts, not due to their inability to pay, but the exchange market may have changed violently for various reasons and by waiting a few days or weeks the drafts could be met with considerable saving to the foreign buyer. The export man, not being busy with the details, can keep in constant touch with the fluctuation of foreign exchange, political and mercantile conditions of the territories, and can better judge the necessity for the request, much better than the domestic credit man, who, of necessity, is guided by set rules and justified by very different conditions. Liberalty in handling credits is one of the best means of creating better feeling for the firm and greater assurance of pleasant business relations, which, in the last analysis, is the best business developer.

Duties of Correspondent Salesman

"We will dissect one correspondent salesman's territory. This man, first, should correspond in the languages of his territory and the export manager should hand him the correspondence of that territory. He, in turn, after looking over the orders, will see the credit man to find out, first, whether the party has any credit on the books; second, whether he has a letter of credit; third, whether there is a record that all of the drafts which have been drawn against him have been accepted, unless the credit has been issued without "recourse"; make sure that if the date of maturity has arrived the drafts have been paid, and if this information is not available, calculate the time for same, and if such time has expired; hold the order for further information, which may be obtained by communicating with the bank through which the drafts were sent, or by telegraphing direct to the connecting bank at the point where the customer is located. He will then, if everything is in order, pass the order to the order clerk who orders

the goods from the factory (an entirely different process from the export commission merchant, who would in such case hand the order to the purchasing agent to buy the goods). When this letter reaches the order department, sufficient copies of the shipping department ticket should be made so that the copy may go to each of the various plants or factories where the goods called for on the order may be prepared; the object being that each plant sends the part of the goods which they are able to supply out of the order. Each ticket should have the same order number, and when they reach the stock room they would be specifically marked for that one order and in this way get the goods together much sooner than if the stock room clerk had to combine different order numbers.

Correspondent Should Follow Up His Orders

"Having passed the order department and reached the shipping department, the correspondent above referred to should see to it by regular visits to the shipping room that his orders move regularly to prevent packers from dispatching the smaller and easier orders in preference to heavy and more complicated orders; to see that stencils, binding and weights, gross, net and legal, conform to the requirements of the tariff of the country of destination, and also to be able to get an idea as to the size and weight of the shipments in order to write to his freight broker to engage space and secure shipping permit for the transportation of the merchandise to destination.

How Order Proceeds Through Department

"When the goods are dispatched and billed, the invoices, which should be made in Spanish for Latin-American countries and show the net, legal and gross weights, as well as the measurement of each case, and, in addition, the net weight of each class of item packed in such case, should then be handed from the billing department to the credit department clerk in the export department, and the railroad freight or express receipt is also to be handed to the credit clerk, who will proceed, first, to insure in the open market or in the policy of the customer, or in shipper's own open policy, covering the

various risks for breakage, pilferage, and general damage, as required by the customer or as the class of goods necessitates, bearing in mind that insurance should cover, not only the amount of invoice, but local and ocean freights, as well as all shipping charges; an addition of 10 per cent. generally would cover; then follow instructions and forward the necessary papers and invoices to the freight forwarder, accompanied by the declaration which the customer supplies for the purpose of consular invoice at the seaport and a certain number of copies to the customer abroad, keeping the required number to supply the bank when drawing for the value. This clerk should be the custodian of the letters of credit, as he will in some cases have to attach these to the invoices and drafts to be sent to the bank at the seaport to negotiate when the freight broker delivers the endorsed steamship bill of lading to the bank. This is a matter which the manufacturers in the interior points of the United States have to be very particular about as the consulates of the various foreign countries require that the man who signs the consular invoices be duly authorized by the manufacturer, and the freight broker, to whom such authority should be extended, requires that he should be given the exact phraseology that the customer requires used in the consular invoice for his goods. The clerk doing this work must be trained to use great care as this matter demands very careful attention because in most foreign countries, particularly the Latin-American countries, a customer in any one town is apt to wish his goods classified under a certain paragraph of the tariff and a customer in another town may require the same goods classified under a separate paragraph of the same tariff, and any deviation would be apt to cause heavy fines at the Customs and the manufacturer would face a heavy payment in addition to disturbing pleasant relations, and inasmuch as the manufacturer in this country has no safe guide as to the interpretation of the tariff of each foreign country, he must of necessity comply with the wishes of his customers or else not accept the business.

"The order clerk must have a good schooling and at least a course in a business college; be familiar with the metric system so that carelessly written orders, as are not infrequently received, will be interpreted correctly; a man with good judgment to interpret an order and who would know when not to make any substitution; who should be able to decode a cable

message, and who should be somewhat familiar with foreign languages in order to save the necessity of having each and every order translated before handing it to the order clerk.

Duties of the Packing Department

"The packing department should be provided with scales that show automatically both pounds and kilograms; the ordinary scales showing pounds only, which require the packer to convert pounds into kilos, are the cause of very frequent mistakes, which means excessive payment of duties, if over, and heavy fines, if under the true weights. The best man in the domestic packing room ,and by this I mean the most careful and not the man who turns out the most work, should be the one selected to do foreign packing, as very frequently each item, before being placed in the packing case, must be weighed for legal and net weights and he must make a careful record of the contents of each case, as when the invoice is made by individual cases, each numbered in rotation in series with previous shipments to a certain party, it saves the need of the cases being opened by the customs inspectors at the point of entry in the country of destination, for when the goods pass the customs they are frequently shipped to interior points by crude means and the well packed case which has not been disturbed will stand the extra travel and arrive in better condition with less chance of pilferage than if it had been repacked carelessly by laborers at the custom warehouse.

Manufacturer Should Be Member of Association

"The firm doing export business should become a member of at least one of the associations which are in such a worthy manner assisting the manufacturers in this country to develop export business, for the reason that in an emergency when the export manager in a small town wishes to compare notes he can write to the association for information and also because of the fact that such associations generally have periodicals in which they publish inquiries from foreign buyers and keep the export manager in touch with the legislation, changes in

shipping and tariffs, political disturbances in foreign countries, etc., which will enable him to better handle his position.

"We note that of late governmental departments are making efforts to teach foreign trade as well as foreign languages in urban universities as well as in business colleges and it is to be hoped that to enable our youth better to fit themselves to assist in the development of foreign trade, after they have graduated from high school, they should learn export technique, as follows:

To correspond in Spanish and French.

To study the history of Latin and Oriental countries.

To practice patience in dealing with people of other races or other tendencies, without presuming to teach them our ways.

To be accurate and careful, considering that small mistakes, which could be rectified at home by the following mail, would cause the expense of cabling or heavy fines abroad.

To obtain a very good knowledge of world geography and habits of the people of other countries.

To study the technique of marine insurance.

To study the details of foreign exchange and foreign moneys.

"With such experience we should in a few years create a body of capable export merchants, placing our nation on a par with European merchants who have been developing their youth in such manner for many years."

Chapter V

THE TRAVELING SALESMAN OVERSEAS

MANUFACTURER JUDGED BY MAN IN THE FIELD—NECESSARY QUALIFICATIONS OF TRAVELING SALESMAN ABROAD—PREPARATIONS NECESSARY FOR TRIP ABROAD—EXPENSES OF TRAVELING SALESMAN—LICENSES REQUIRED IN FOREIGN COUNTRIES—THE COMBINATION TRAVELING SALESMAN

The success or failure of a manufacturer in developing business in a given foreign market by means of a personal representative on the field will depend just as much upon the qualifications of the person he may send overseas as his minister plenipotentiary as on the quality or utility or price of his wares. Doubtless the manufacturer who decides on the policy of selling abroad by using commercial travelers has on his mind the plan of developing a permanent business. It is the finesse, therefore, with which he makes his introduction that is going to determine in a measure the success he may expect to receive in future dealings with foreign customers. It can readily be seen that the traveling salesman who starts on his journey that will take him to different countries, different climes, and bring him in contact with peoples of different races, customs, habits and ways of thinking is charged with a responsible function. His job is to blaze a trail, to gain an entree and to inspire confidence in the strange manufacturer thousands of miles away who desires to sell articles to a skeptical buying public. Most likely it will be the first impression made that will decide for the native buyers. The impression the traveling salesman creates is the impression the manufacturer at home creates.

Manufacturer Judged by Representative in Field

The manufacturer is judged by the man he sends overseas to develop his business. The house stands to win or lose in the

ratio of the ability or inability of the traveling salesman. If he is stupid or incompetent he puts the house in a bad light. The nation as a whole is included in the general criticism. He furnishes our foreign competitors with additional material for engaging in verbal essays on the "incompetency of the Yankees."

An ignorant, ill-mannered, narrow-minded, dishonest or incompetent commercial traveler in the foreign field is worse than no salesman at all. With such disqualifications, he is not only incapable of selling goods, but capable of spoiling the market for the finest typewriter ever made or the finest automobile or piano ever turned out from an American factory. The author recalls the experience in Buenos Aires of an electrical appliance salesman who felt that his time was more valuable than that of some of his "prospects." In his efforts to prove the accuracy of this theory he attempted to rush matters with a certain Argentine gentleman who was in the market for a considerable quantity of electrical parts for a business block of which he was proprietor. The order involved a big sum of money and was worth going after. The salesman failed to take into account, however, the fact that the temperament as possessed by a native merchant in Argentina is very much different from that accredited to a business man in Lincoln, Nebraska, or Cadillac, Michigan. The former likes to take his time; the latter has placards on the walls around his desk reading, "Don't put off until tomorrow what you can do today," or "Do it now," etc.

As the salesman soon learned, the native refused to be rushed into the transaction, and later refused to have further dealings with him on the matter. A few weeks later another salesman carrying a similar line arrived from "The States." Through friends and business connections he learned of the native merchant's necessities. In time he was properly introduced. In conversations with the prospect he seemed to show that he knew quite a little about the country, about its laws, business conditions, future and other matters. This pleased the native. By appointment they met often for luncheon. Later the American was invited to the home, where he met all the members of the family. While on the occasion of these meetings business was discussed, yet it did not have the right of way over other topics of common interest to buyer and seller. A few days before sailing for the United States—a month after his arrival in the city—the salesman received a visit at the hotel from the merchant,

who asked to see his catalogue. Before he left the room he had signed an order for several thousand dollars' worth of electrical fixtures.

Traveling Representative Must Have Broad Vision

The American manufacturer who contemplates sending a representative out on the foreign road on an initial tour of investigation should have a clear conception of the obligations which he imposes upon him. He is not only a seller of goods, but a judge of human nature. He is not only a carrier of samples, but the interpreter of the house's mission in the foreign field. He must be capable of taking the initiative. He must exercise his own ingenuity. He must be enterprising. Obviously such tremendous responsibilities assumed thousands of miles from "the base of supplies" cannot be imposed upon irresponsible and incompetent agents. In making his selection the manufacturer must watch his step. Negligence in the judicious consideration of the "personality element" may lead to disaster. The shoals of American foreign trade are strewn with the wreckage of ventures where too much attention was paid to promises and dreams and too little to proper qualifications and personality. The salesman must have a broad vision. He must have the international viewpoint. He must be capable of meeting people of different races, civilizations, traditions and manners. He must maintain a sympathetic attitude. He must be capable of judging conditions in foreign countries as they are and not as they should be. He must not be tempted to criticise things because they do not measure up to the standards he is accustomed to at home. He must remember that the chief function of his personal mission is to sell goods where they may help to raise the standard. He must know how to obtain essential information, such as credits, and to judge the trustworthiness of a customer without causing embarrassment. He must be able to analyze conditions as to transportation and distribution. He must judge of the buying power of the community in which his firm desires to do business. He must familiarize himself with the prevailing methods of financing shipments so that he may be able to quote prices to his customers with a certain degree of intelligence.

Knowledge of Language Is Not the Final Test

The nationwide movement for the study of foreign languages deserves commendation. The American people should not only be able to read, write, think and speak in their own language, but they should also have a general knowledge of some important foreign language like French, Spanish, Italian or German. To know how to express one's self in a foreign tongue, especially in view of the desire of Americans to extend their summer trips to lands across the seas, is quite an advantage. This desire to master a foreign tongue should be encouraged. But never for a moment should the impression be permitted to run wild that for strictly business reasons the knowledge of one or two foreign languages is absolutely necessary. It is not. For over fifty years the American nation has been engaged in a lucrative foreign trade which has been growing and growing into large dimensions. Yet no one can justly claim that the American business men are experts in foreign languages. As a matter of fact it is neglect of this detail in connection with foreign trade expansion that has loosed a number of critics upon an innocent flock of embryo exporters, charging them with expressions of warning that they must be able to speak the tongue of the foreigner in order to get his business.

Salesman's Ability to Sell Goods Comes First

If the manufacturer relies solely on the salesman's ability to converse in any language from Russian to Chinese and not on his competency as a salesman of wares he is going to suffer by it. Selling ability, coupled, of course, with honesty, comes first. The case of a manufacturer who was induced to furnish a substantial expense account and an adequate salary to a young Chilean who was to represent him in the country of his birth is recalled here. The young man, who knew nothing about business practice, but very much about his own country and people, "sold himself" to a manufacturer on the strength of this experience at home. After several months of watchful waiting the manufacturer learned to his sorrow that his employe might have better served him in the capacity of a translator—for he was a

graduate of a college of Liberal Arts, and not of a college of business experience.

"Can you sell goods?" This is the first question that should be fired at the applicant. "I am, of course, deeply interested in your ability to speak Spanish or French, but my chief concern lies in your ability to convince the foreign buyer that he should give my article a trial." This should represent the manufacturer's second step in considering the application. Then, having convinced himself by actual proof or record that the man before him is capable of selling his merchandise, the manufacturer must feel satisfied in his own mind after proper inspection that there is an air of good breeding and culture in the applicant that cannot be overlooked. Needless to say, neatness in personal appearance is a vital detail that very few successful salesmen, whether at home or abroad; seldom overlook.

Sightseeing Salesmen Should Be Avoided

A curiosity to see the world often inspires young men to enter the manufacturer's office looking for a traveling salesman's position in foreign countries. The manufacturer who is looking for permanent connections abroad should be on his guard against such applicants. A tour of the world should not be made at the expense of the manufacturer unless that tour is capable of commanding adequate results. Salesmanship cannot be combined with pleasure. To make a tour of certain countries profitable for employer and employe alike the salesman should make it his vocation and not his avocation. The story is told of a manufacturer who once permitted a young man to book orders for him in Australia. Ignorant of the methods of quoting prices to overseas customers, the salesman was taking orders that were impossible of fulfillment. The manufacturer at home was forced to cancel them by cable in order to avoid financial loss. It took much correspondence and many days in which proper explanations were finally made.

Other Qualifications, Honesty, Responsibility

That the manufacturer should carefully examine the applicant's qualifications as to honesty and responsibility goes without saying. Honesty is the basis of all business relations. A dishonest and irresponsible salesman can easily destroy a manufacturer's business in a given market. There is no need of emphasizing the necessity of guarding against such representatives. The experienced manufacturer can protect himself. It is the manufacturer who is just branching into the foreign field and who is almost daily coming in contact with hundreds of men with hundreds of ideas of developing the foreign field who must be careful in the choosing.

Courage and self-confidence follow honesty. The salesman should have the ability to hold his ground even in the face of adversity. In spite of discouraging results at the start he should have the ability to "stick to it." Of necessity he must put up with many inconveniences while on the road, and quite often his patience will be tried, but if he can survive these trials, in the end the harvest should be big.

Salesman Should Prepare Himself Well for Trip

There is considerable preliminary work ahead for the traveling salesman who is planning his first trip to foreign countries where the language and customs are different, where he will find himself involved with different laws and regulations, and where problems of marketing and transportation must be successfully solved before any measure of success in a selling campaign may be attained. He should begin at the factory. Here he should study the various products made, of what they are made and how they are made. A foreign customer's rapid fire questions involving answers of a technical character may prove embarrassing to the salesman who is not well posted on his goods. While he is equipping himself with a knowledge of the production end of the business he should also be giving some time to the study of the countries through which he is to travel. He should know something about market conditions; he should know something about the climate, geography, language, customs, history, transportation facilities and regulations of each country. He should be well read.

Study of Method of Travel Is Essential

In planning his trip the salesman should prepare an itinerary so that he may have an approximate idea of the time his journey will require and the season in which he is to arrive in a certain country. His itinerary should not be ironclad, however, as the change in the date of a steamer sailing at one point may throw his schedule completely out of gear. The steamship companies are the proper sources for information as to routes, sailing dates and distances between ports. In preparing his tour the salesman must remember that the entire world does not enjoy the same seasons at the same time. When it is summer in the United States it is winter south of the Equator. The salesman who is planning to reach a certain market at the best buying season of the year should be very careful that his schedule does not take him to the market when his prospective customers are enjoying themselves at the seashore.

Documents Salesman Should Carry Along

The salesman should not leave the country without proper credentials indicating his authority. This is very important, as it is necessary to show some proof of power to transact business in certain countries. In Denmark, for instance, the agent must produce either an attest from his home government officials giving his name and that of the firm which he represents, or a power of attorney issued by his firm and certified to by some notary public as well as by the Danish consul. If such document is not produced within a certain time the salesman will be subject to a fine. The Danish authorities demand the following form:

I, ..., one of the directors of the Joint Stock Company ..... or partner of the firm ..... (New York), declare hereby that Mr. ..... is the company's traveling representative in Denmark.

Countersigned New York, ..., 1919.
Date .....
Police Superintendent .....

While this document is not absolutely necessary in every country visited, nevertheless good business judgment dictates that it or something similar should be in the possession of every salesman who is going into foreign countries. A certificate from the President of the Chamber of Commerce, or from some other large organization is valuable to carry along. Letters from consular agents or other government officials will help where proper introductions to municipal or state authorities in foreign countries are necessary before they are approached on business matters. Letters of introduction are not necessary unless they are written to intimate friends or to persons with whom the writers of these letters have been in close relations through correspondence. The manufacturer's banker will provide the representative with letters of introduction to the managers of the branches in the different countries or to correspondents where there are no branches. These letters should not be neglected. They may help the salesman in obtaining valuable information. In some countries bankers refuse to give travelers any information unless they produce the necessary letters of introduction. This is usually the rule in certain British colonies. Passports should be carried along. They are very handy instruments when the unexpected happens in a foreign country. Properly viseed, they should form one of the list of valuable documents in the salesman's belongings. The passport bureau of the State Department should be consulted in connection with information regarding passports.

How Salesman Obtains His Funds on the Road

The banker's letter of credit is, perhaps, the most satisfactory instrument in the salesman's possession for obtaining funds along the various points on his journey. The banker's letter of credit has some advantages over other instruments aimed to achieve the same end. In the first place, it enables the manufacturer to finance the salesman's trip without actually drawing the entire amount from the bank at once. If the face value of the letter of credit represents $5,000 and the salesman draws $1,000 at some point in Europe the bank merely charges the manufacturer an equivalent amount against his balance. Banks and express companies are accustomed, also, to issue "traveler's checks" for the convenience of travelers. These "checks" command a higher rate of interest than the letter of credit, however, and must

be purchased outright, thus compelling the manufacturer to draw out a lump sum equivalent to the entire expense involved in the trip. In connection with this topic it is proper at this time to call to the attention of the salesman the necessity of knowing something about foreign exchange. Total ignorance of this may cause him considerable financial loss as well as to render him incapable of discussing problems of international finance with his customers.

Approximate Expenses of Traveling Salesman

The expenses of a traveling salesman depend on the nature of his mission. If he is to visit the regular trade and confine himself to very little entertaining it is possible that his expenses will be from $10 to $20 a day, including steamer, and railroad fares and hotel expenses. If, however, he has been engaged to interview some of the business men occupying high positions in foreign countries it will mean social life and entertaining. This comes high. If he carries many samples his expenses will be much higher than if he should carry only a few.

License Fees and Payment of Duty on Samples

In many countries of the world license fees are required from traveling salesmen. Also a duty is imposed on the samples carried. While it is impossible to make a definite statement regarding the fee and duty requirements in some European countries, it may be said for the information of the traveling salesman that in most Latin-American countries he will be compelled to pay a nominal license fee, sometimes a very high one, as well as a duty on the samples he carries along with him. As a general rule, however, samples without commercial value are usually admitted free of duty without special formalities, while other samples are admitted under bond or upon the deposit of an amount sufficient to pay the duty in case of failure to re-export them within a certain time limit.

License Fees and Duties on Samples in Various Countries

Owing to changing conditions in various countries it is difficult

to obtain definite data on license fees and duties on samples. However, a short digest of the requirements in some countries as collected by the Government Bureau of Foreign and Domestic Commerce will serve as a basis from which a start may be made to gather the latest possible information on these matters prior to starting out to foreign fields. In the countries listed here the following regulations prevail:

Belgium—Commercial travelers exempt from payment of license. Samples deprived of their commercial value admitted free, otherwise subject to same customs treatment as goods they represent.

Denmark—Commercial travelers must have power of attorney in order to obtain license, which is valid for one year. Samples subject to duty, but if re-exported within four months and proof furnished as to their identity, duty is returned.

Iceland—Foreign commercial travelers must take out license in their own names. License fee is about $53.60 if traveler represents but one firm and about $13.40 for each additional firm. License good for one year from date.

France—Commercial travelers may operate free. It is advisable, however, that they produce documents showing that they are commercial travelers and not brokers. Brokers are subject to tax. Samples admitted free on condition of being re-exported within one year or placed within bonded warehouse.

Greece—No license fees imposed on commercial travelers. Samples without commercial value admitted free, others charged regular duties under Greek customs tariff.

Italy—No license restrictions. Samples of no commercial value admitted free, while those subject to duty admitted temporarily under deposit or bond to be refunded on re-exportation within one year.

Netherlands—Only direct tax imposed on commercial travelers is on professional income, provided they are not domiciled in the country. Samples of no value admitted without duty. Samples of value granted temporary exemption.

Norway—Trading license required for commercial travelers, which are good for thirty days. Samples not objects of trade admitted free of duty.

Portugal—Any foreigner remaining in Portugal over period of seven days must obtain from his consulate "residence certificate," which must be endorsed by police authorities. Samples, except

manufactured tobacco, free of duty provided duty leviable does not exceed 30 cents.

Spain—Commercial travelers showing proof of employment in that capacity not subject to license fees. Samples without commercial value admitted free of duty.

Sweden—Commercial travelers must obtain license, which is good for thirty days. Additional fee charged for every fifteen days after first thirty days. Samples of no commercial value not subject to duty, others subject to duty which is recoverable on re-exportation.

Switzerland—No license fee required. All commercial travelers must have certificate of authority from proper authorities of their country showing that the house they represent is entitled to do business in the state in which it is situated. All commercial travelers must obtain permit. Samples of no market value admitted free.

United Kingdom—No permit or license required to enable commercial travelers to do business in the United Kingdom. Articles liable to duty on importation into United Kingdom serving as samples introduced by commercial travelers from the United States and other countries having special treaties with Great Britain admitted free of duty subject to security or bond.

Argentina—Commercial travelers required to obtain license in city of Buenos Aires when they carry samples; and separate license for every province and territory in which traveler desires to operate. In Federal District he is not required to take out license if he sells from catalogue and without samples. Fees payable for this license in the various provinces differ in amount.

There is a way of avoiding payment of these licenses, however. American firms, as well as European houses, usually assign their travelers to some large importing house established in Buenos Aires, under whose auspices they work, thereby avoiding payment of any license fee. Even when the traveler goes into the provinces he need not pay additional licenses, because these importing houses usually maintain agencies or branches in the principal cities to which the traveling salesman is assigned. Payment of license fees in each of these provinces would involve a large sum of money. Samples having no commercial value are admitted free. Others may be brought under bond.

Bolivia—Each city imposes local tax, which is compulsory. Collection of taxes on commercial travelers rests with concessionaires, from whom travelers may obtain a reduction from the rate fixed by municipal ordinance. Samples having no commercial value may be imported duty free, while others may be imported under bond.

Brazil—No license for commercial travelers required by the Federal Government, although there is a tax in some States. Samples admitted free under bond only when goods are accompanied by consular invoice from the country of origin and a memorandum setting forth in detail the articles contained in the various packages.

Chile—No licenses are required. Salable samples may be imported for period of six months upon security furnished by local business house to cover full amount of duty to which samples would be subject as merchandise or upon cash deposit of equal amount by importer.

Colombia—No license required for commercial travelers. Some cities have municipal tax and traveler must secure license before exhibiting samples. Consular invoice in Spanish covering samples and certified by Colombian consul at port of embarkation necessary. Samples may be imported temporarily upon payment of full duty, with refund of 75 per cent. of duty upon re-exportation. Samples of no commercial value admitted free.

Costa Rica—Commercial traveler is required to obtain from municipal treasurer permit to do business in the district, which is only valid within the municipal limits. License fees vary in each district. Samples without commercial value dutiable at $1.05 per hundred pounds. Samples of value intended to be re-exported subject to duty, which will be returnable upon certain conditions.

Cuba—No license required for commercial travelers. All samples of dutiable merchandise pay full duty upon entry, but if re-exportation is effected within ninety days and value is not over $500, 75 per cent. of the duty will be refunded.

Dominican Republic—Commercial travelers must take out annual license, which costs $10. Unsalable samples admitted free. Samples not exceeding $2,000 in value may be admitted free under bond.

Ecuador—Commercial travelers require license from inspector of customs before baggage and samples will be permitted to enter country. Samples of value admitted under bond.

Guatemala—No licenses are required for commercial traveler.

All samples, except those without commercial value on which duty does not exceed 1 peso, subject to regular duties unless rendered unsalable. If samples are to be re-exported no duty is charged upon providing bond.

Haiti—Commercial travelers require permit from the Department of the Interior, to be obtained before the traveler leaves the city for another part of the country. Samples of no commercial value admitted free of duty.

Honduras—Commercial travelers are subject to municipal license fees only. Samples destined to be re-exported admitted on deposit equal to amount of duty leviable.

Mexico—Laws governing commercial travelers unobtainable owing to abnormal political conditions. Samples of commercial value dutiable, but admitted under bond subject to re-exportation.

Nicaragua—Commercial travelers not subject to license fees. Bond required on samples brought in and subject to re-exportation.

Panama—All commercial travelers must take out municipal license in district in which they are to transact business. Samples of commercial value subject to re-exportation admitted under bond.

Paraguay—Commercial travelers must take out municipal license. Samples of commercial value admitted upon payment of duty, which is refunded upon re-exportation.

Peru—Commercial travelers not required to take out government license, but are subject to municipal taxes in interior towns. Samples of any kind not prohibited by customs laws may be imported free for limited time under certain conditions.

Salvador—The only official license required of a commercial traveler is issued by the local municipalities. All samples imported free under bond, which is canceled upon re-exportation.

Uruguay—Commercial travelers required to take out a license, which is valid for one year. Samples of any kind may be temporarily imported free of duty by giving bond to guarantee re-exportation.

Venezuela—No licenses are required from commercial travelers. Samples of commercial value admitted free subject to bond to guarantee their re-exportation.

Australia—There are no laws or regulations affecting commercial travelers. Dutiable samples admitted upon depositing duty with customs, which will be refunded upon re-exportation.

New Zealand—Warrant free of charge is issued to commercial travelers, but those who seek to avoid it are subject to fine. Samples dutiable, but when re-exported, refund is made.

It will be seen from this resume that the commercial traveler is subjected to different license fees in all parts of the world. In some places these fees are rather high and it is possible, as has been already suggested in connection with the Argentine requirements, to avoid them in some countries by making connections with establishd importers. It is an easy matter to do this when the salesman is employed by an American concern having branches or agencies in foreign countries; but where the salesman or the house may be unknown a proper letter of introduction may effect some sort of connection in which the high license fee may ethically be avoided.

The salesman will also save himself considerable trouble by having with him several copies of an invoice of his samples so that the customs officials may expedite the examination of his baggage. The invoice should include the full description of the articles, gross and net weights in pounds and kilos, and the values at which they would be sold to the trade. These invoices should be viseed by the consuls of the countries to be visited.

The Combination Traveling Salesman in Export Trade

As the United States is extending its trade more and more every day new problems are being constantly presented to the manufacturer who has joined the growing list of exporters. One of these problems involves economy in developing the field by personal representation. The manufacturer who foots the entire bill in sending a salesman to certain foreign countries will learn that it is rather expensive. There is a way to avoid this heavy expense, however, and at the same time obtain proper representation in the foreign field. This is by using the services of a salesman who undertakes to carry one or several lines on a business tour of several countries. This kind of commercial traveler is commonly known as a combination traveling salesman.

The combination traveling salesman operates along the following lines: He decides on a certain territory to be covered; he studies the possibilities of that territory for the sale of certain articles the representation of which he will endeavor to obtain

after he is satisfied that there is a market for them. He then places his proposition before the manufacturers of these articles, offering to solicit the foreign trade upon the payment of a definite proportion of his entire expenses on the trip. Each manufacturer in the combination must contribute his proportion of the expense. In some cases the combination salesman obtains a commission and in others a definite salary. It is generally on a commission basis plus expenses, however, that the arrangement between manufacturers and combination salesmen is completed.

Combination Salesman Must Be Qualified

Economy should not be the bait upon which the manufacturer is to be drawn into a combination salesmanship proposition. The combination salesman must be as fully qualified for foreign work as the salesman who is the sole representative of a single house in the United States. Unless he possesses the necessary attributes the saving to be gained by the combination may result in loss in some other way. There is no denying the fact, however, that an intelligent and competent representative should be capable of splendid service to the manufacturer to whom the combination idea may appeal. It has been tried before and satisfactory results have been obtained. In order that the manufacturer may seriously consider his proposition, however, the combination salesman must prove that he not only has had experience as a salesman, but that he has had experience in the field to be covered, that he knows prospects and business conditions in the proposed territory, and, finally, that he has a general knowledge of the language in that territory. In addition to this, good judgment as to credits and market conditions are valuable.

How Manufacturer May Be Approached by Salesman

Personal solicitation is the most effective method of reaching the ear of the manufacturer on a proposition such as the combination salesman is proposing. Letter writing is inadequate. A personal talk with the salesman will give the manufacturer a better idea of the capabilities of the man than perhaps a hundred letters. The combination salesman who resides in a large port

like New York City has a fine opportunity of interviewing a select number of manufacturers who may be interested. Even then the matter of getting together a number of manufacturers will not be so easy. The combination salesman's plan should be something like this: (a) Select goods with which he is best acquainted; (b) develop a sales plan consistent with the territory he is to cover; (c) approach most desirable manufacturers of articles he has listed for his combination. The salesman should be careful that his combination involves only allied lines if possible. It will make his work much easier.

It is possible that the manufacturer himself, with a number of others, may desire to form a combination on their own initiative. In this case a successful combination may be worked up by having each manufacturer contribute his best line to the combination, agree on a fixed amount to be spent, and on one executive to select a salesman and direct his efforts in the foreign field. The virtue of such arrangement lies in centralized authority, and the shipment of goods on one bill of lading, and, possibly, the financing on one draft. The advantages of this method, however, may be lost if the combination does not work in harmony. Petty jealousies may destroy its efficiency, and finally the combination itself.

Advantages of the Combination Salesman

A single house may spend $6,000 on a trip by a personal representative to South America or to the Far East. Six houses joining in a combination where one salesman has agreed to carry the various lines of each house to either of these foreign fields would contribute their proportion of the total—say, $1,000 each.

The advantage of a combination salesman, it will be seen, lies in the economy of the plan. Again, the manufacturer may have a "short line" that may not justify intensive selling methods abroad. The combination salesman may find it to his advantage to carry this "short line," particularly if it is allied to the other products he already represents. An assorted line of kindred products will attract more buyers than one line alone. Any one of the manufacturers represented in the combination, therefore, will have a better chance of obtaining a trial order than if they were alone in the field. The "short line" manufacturer has as good a chance as the others.

Objections to a Combination Salesman

The combination salesman who carries many lines must of necessity "scatter his shot." He cannot pay too much attention to one line at the expense of the others. This is more often the case where the combination salesman represents several lines that have no relation to each other. A salesman handling lines ranging from needles to pianos may not be as successful as one who handles allied lines. The failure of many combination salesmen in the foreign field has been due to the neglect of this important phase of the plan. In the smaller cities it is possible to sell the dealers almost anything, but when the larger cities are approached it will be necessary for the combination salesman who handles unrelated wares to cover a wide buying field at the expense of valuable time which could be devoted exclusively to certain classes of dealers if he were handling a combination of kindred lines. The reason for the selection of these diversified lines is because it is the salesman's own "idea." Perhaps, if left to the initiative of a combination of manufacturers a better selection may be made, and better results obtained in the foreign field.

DISTANCES TRAVELERS SHOULD KNOW

A Table showing the distances from New York, New Orleans, San Francisco and Port Townsend to world's principal ports and cities that may give a salesman an idea of distances to be covered in traveling in foreign countries.

(Routes by water in nautical miles; land routes in statute miles)

FOREIGN CITIES

PORT AND ROUTE.	New York.	New Orleans.	San Francisco.	Port Townsend.
Aden—Suez Canal	6,532	7,870	.....	.....
Cape of Good Hope	10,985	11,408	.....	.....
Suez Canal and New York	.....	.....	9,723	9,731
C. of Good Hope & N. Y.	.....	.....	14,176	14,184
Suez and Tehuantepec	.....	.....	9,500	10,300
Suez and Panama	.....	.....	10,800	11,600
Suez and Magellan Strait	.....	.....	15,900	16,700
Singapore	.....	.....	11,500	11,300
Singapore & P. Townsend	14,499	14,279	.....	.....

PORT AND ROUTE.	New York.	New Orleans.	San Francisco.	Port Townsend.
Antwerp	3,325	4,853	.....	.....
New York	.....	.....	9,059	9,067
Panama	.....	.....	8,264	9,039
Magellan Strait	.....	.....	13,671	14,446
Batavia (Java)	.....	.....	7,800	7,600
Panama	13,167	12,566	.....	.....
Suez Canal	10,182	11,598	.....	.....
Cape of Good Hope	11,855	12,278	.....	.....
Bombay—Suez Canal	8,120	9,536	.....	.....
Cape of Good Hope	11,250	11,848	.....	.....
Suez and New York	.....	.....	11,311	11,319
C. of Good Hope & N. Y.	.....	.....	14,441	14,449
Suez and Panama	.....	.....	12,512	13,287
C. of G. Hope & Panama	.....	.....	14,500	15,270
Magellan Strait	.....	.....	15,064	15,839
Singapore	.....	.....	9,780	9,589
Singapore & P. Townsend	12,771	12,559	.....	.....
Singapore & San Francisco	12,971	12,262	.....	.....
Singapore and Panama	14,837	14,236	.....	.....
Buenos Aires	5,868	6,318	.....	.....
Magellan Strait	.....	.....	7,511	8,286
New York	.....	.....	9,059	6,067
Bermuda	676	1,648	.....	.....
New York	.....	.....	3,867	3,875
Calcutta—Suez Canal	9,830	11,239	.....	.....
Cape of Good Hope	12,180	12,838	.....	.....
Suez and New York	.....	.....	13,021	13,029
C. of Good Hope & N. Y.	.....	.....	15,371	15,379
Singapore	.....	.....	8,990	8,896
Singapore & San Francisco	12,181	11,462	.....	.....
Singapore and Panama	14,230	13,694	.....	.....
Panama	3,392	2,764	.....	.....
Magellan Strait	9,603	10,142	.....	.....
Direct	.....	.....	4,012	4,769
Cape Town—Direct	6,815	7,374	.....	.....
New York	.....	.....	10,006	10,014
Panama	.....	.....	9,898	10,676
Magellan Strait	.....	.....	10,454	11,229

PORT AND ROUTE.	New York.	New Orleans.	San Francisco.	Port Townsend.
Colon (eastern end of Panama Canal)	1,981	1,380	.....	.....
Canal and Panama	.....	.....	3,324	4,090
Copenhagen—Direct	3,852	5,443	.....	.....
New York	.....	.....	7,043	7,051
Panama	.....	.....	7,642	8,417
Magellan Strait	.....	.....	12,734	13,509
Guam	.....	.....	5,054	4,908
San Francisco	8,245	7,536	.....	.....
Port Townsend	8,107	7,887	.....	.....
Hamburg	3,652	5,243	.....	.....
New York	.....	.....	6,843	6,851
Pernambuco, Brazil	3,696	3,969	.....	.....
New York	.....	.....	6,887	6,895
New Orleans	.....	.....	6,451	6,948
Panama	.....	.....	6,530	7,305
Magellan Strait	.....	.....	9,439	10,214
Port Said, Egypt	5,122	6,509	.....	.....
New York	.....	.....	8,321	8,327
Panama	.....	.....	9,562	10,337
Punta Arenas (Magellan S.)	6,890	7,340	6,199	6,958
Rio de Janeiro	4,778	5,218	.....	.....
New York	.....	.....	7,969	7,977
New Orleans	.....	.....	7,700	8,197
Panama	.....	.....	7,678	8,453
Magellan Strait	.....	.....	8,339	9,114
San Francisco	3,191	2,482	.....	.....
Panama	5,305	4,704	.....	.....
Petrograd—Direct	4,632	6,223	.....	.....
New York	.....	.....	7,823	7,829
San Juan, P. R.	1,428	1,539	.....	.....
New York	.....	.....	4,619	4,627
New Orleans	.....	.....	4,021	4,518
Panama	.....	.....	4,345	5,120
Magellan Strait	.....	.....	12,199	12,974
Shanghai	.....	.....	5,550	5,290
San Francisco	8,741	8,032	.....	.....
Port Townsend	8,489	8,269	.....	.....
Panama	10,855	10,254	.....	.....

PORT AND ROUTE.	New York.	New Orleans.	San Francisco.	Port Townsend.
Suez	12,360	13,750	.....	.....
Cape of Good Hope	14,593	14,806	.....	.....
Singapore	.....	.....	7,502	7,206
San Francisco	10,693	9,984	.....	.....
Port Townsend	10,405	10,185	.....	.....
Suez	10,170	11,560	.....	.....
Cape of Good Hope	12,914	12,355	.....	.....
Habana	1,227	597	.....	.....
New Orleans	.....	.....	3,079	4,006
Panama	.....	.....	4,337	5,112
Havre	3,169	4,760	.....	.....
New York	.....	.....	6,360	6,368
Hongkong	.....	.....	6,086	5,886
Port Townsend	9,085	8,865	.....	.....
San Francisco	9,277	8,568	.....	.....
Panama	11,431	10,830	.....	.....
Suez	11,610	12,892	.....	.....
Cape of Good Hope	13,590	13,863	.....	.....
Magellan Strait	16,868	17,318	.....	.....
Honolulu	.....	.....	2,097	2,370
San Francisco	5,288	4,579	.....	.....
Port Townsend	5,569	5,349	.....	.....
Panama	6,686	6,085	.....	.....
Magellan Strait	13,269	13,719	.....	.....
Kingston, Jamaica	1,473	1,165	.....	.....
Kongo River, mouth of	5,662	6,580	.....	.....
New Orleans	.....	.....	9,062	9,559
New York	.....	.....	8,853	8,859
Liverpool	3,053	4,553	.....	.....
New York	.....	.....	6,244	6,250
Panama	.....	.....	8,038	8,813
Magellen Strait	.....	.....	13,503	14,278
London	3,233	4,507	.....	.....
New York	.....	.....	6,424	6,432
Panama	.....	.....	8,218	8,993
Magellan Strait	.....	.....	13,683	14,458
Manila—Honolulu and San Bernardino Strait	.....	.....	6,943	7,213
Yokohama	.....	.....	6,289	5,993

PORT AND ROUTE.	New York.	New Orleans.	San Francisco.	Port Townsend.
Yokohama & S. Francisco	9,480	8,771	.....	.....
Yokohama & P. Townsend	9,192	8,972	.....	.....
Panama	11,546	10,993	.....	.....
Suez	11,556	12,946	.....	.....
Cape of Good Hope.....	13,536	13,986	.....	.....
Suez and New York.....	.....	.....	14,747	14,755
C. of Good Hope & N. Y.	.....	.....	16,727	16,735
Magellan Strait.....	16,736	17,145	.....	.....
Marseilles	3,876	5,266	.....	.....
New York.....	.....	.....	7,067	7,073
Panama	.....	.....	8,332	9,107
Magellan Strait.....	.....	.....	13,324	14,099
Melbourne	.....	.....	7,040	7,311
San Francisco.....	10,231	9,522	.....	.....
Panama	10,028	9,427	.....	.....
Magellan Strait.....	12,880	13,143	.....	.....
Suez Canal.....	12,981	14,303	.....	.....
Cape of Good Hope.....	12,670	12,933	.....	.....
Mexico City, land and water	2,399	1,172	2,142	2,917
Mexico City, land and water	2,898	1,526	2,512	3,349
Naples	4,172	5,562	.....	.....
New York.....	.....	.....	7,363	7,369
Panama	.....	.....	4,704	5,479
Nome, Alaska.....	.....	.....	2,705	2,356
San Francisco.....	5,896	5,187	.....	.....
Port Townsend.....	5,555	5,335	.....	.....
Panama	8,010	7,410	.....	.....
Magellan Strait.....	15,840	16,249	.....	.....
Odessa, via Gibraltar.....	5,370	6,760	.....	.....
Panama (western end of Panama Canal).....	.....	.....	3,277	4,052
Panama Canal and Colon..	2,028	1,427	.....	.....
Yokohama and Panama...	13,104	12,503	.....	.....
Yokohama & Tehauntepec	12,209	10,961	.....	.....
Tehuantepec — western end of railroad.....	.....	.....	2,189	2,964
Eastern end of railroad...	2,036	812	.....	.....
Valparaiso	.....	.....	5,140	5,902
San Francisco.....	8,331	7,622	.....	.....

PORT AND ROUTE.	New York.	New Orleans.	San Francisco.	Port Townsend.
Panama	4,637	4,035	.....	.....
Magellan Strait.....	8,460	8,733	.....	.....
Vladivostok	.....	.....	4,706	4,357
San Francisco.....	7,897	7,188	.....	.....
Port Townwsend.....	7,556	7,336	.....	.....
San Francisco and Panama	10,001	9,410	.....	.....
Magellan Strait.....	17,036	17,445	.....	.....
Wellington, New Zealand...	.....	.....	5,909	6,415
San Francisco.....	9,100	8,391	.....	.....
Panama	8,540	7,939	.....	.....
Magellan Strait.....	11,500	11,773	.....	.....
Suez	14,230	15,620	.....	.....
Cape of Good Hope.....	13,710	14,058	.....	.....
Yokohama	.....	.....	4,536	4,240
Honolulu	.....	.....	5,500	5,770
San Francisco.....	7,727	7,018	.....	.....
Port Townsend.....	7,439	7,219	.....	.....
Honolulu and Panama....	10,093	9,492	.....	.....
San Francisco and Panama	9,869	9,268	.....	.....
Magellan Strait.....	16,205	16,614	.....	.....
Singapore and Suez.....	13,040	14,471	.....	.....
Cape of Good Hope.....	15,020	15,443	.....	.....

Chapter VI

CORRESPONDENCE IN EXPORT TRADE

ESSENTIALS IN EXPORT CORRESPONDENCE—CAREFUL TRANSLATORS NECESSARY—SAME LANGUAGE DIFFERS IN VARIOUS COUNTRIES—PARCEL POST AS MEANS OF DEVELOPING BUSINESS THROUGH CORRESPONDENCE

It has been said quite often that it is impossible to build up an export trade purely on correspondence—that the logical formula involves the dispatching of a personal representative to the objective market as well as the probable establishment of branch offices or the appointment of resident foreign agents. This is partly true only. Successes by American manufacturers have been made in foreign fields through the exclusive use of the mails. Other attempts have ended in sad failures. The skillful and competent handling of correspondence in a manner consistent with the temperament and psychology of the person who is to receive it in a foreign country usually determines the success that a manufacturer will achieve in foreign trade regardless whether he uses the mails exclusively to build up his trade or whether he sends personal representatives to the chosen markets.

Correspondence plays a major part in export trade. It serves as the line of communication between the source of supply and the market. Sometimes it serves as the only line of communication through which buyer and seller may get together for the purpose of transacting business. For nearly forty years a marine engine manufacturer in Western New York has been engaged in shipping his products to customers he has never known or seen personally. During this long period of pioneer work there has never been a representative of this corporation in this foreign soil. It was unnecessary. It was too expensive. Correspondence during all these years has been sufficient.

A Pennsylvania representative of a pumping machinery manufacturer, a pioneer in the export field, for nearly half a century has enjoyed a large volume of business from foreign customers.

These customers have never seen a personal representative from this house, yet they are satisfied.

The history of American foreign trade is replete with chapters of successful careers in exporting through correspondence. With the betterment of the means of communication between the principal centers of the world, the addition of mail steamers that ply between ports on regular schedules, and the improvement of communication in sparsely settled regions, the handling of business with foreign customers through correspondence is becoming less difficult.

Essentials in Export Correspondence

There are some things that may be incorporated in a letter to a domestic customer that would be entirely "out of order" in a letter to a foreigner in a strange country. It is possible and often permissible to use a "breezy" style when writing to a customer in Seattle. It may be good business to pat him on the back, so to speak, and to call him by his first name, and to say that he has certainly "delivered the goods," and won't he please try to deliver another "knockout" the coming month, etc. But this will never do in foreign correspondence.

The tone of correspondence intended for foreign consumption must be regulated to fit the peculiarities of each individual country. If it has lacked dignity in the domestic field it must have it in the foreign field. If it has been slangy at home the blue pencil must delete these literary characteristics peculiar to the American vocabulary. If the sense of courtesy has been pigeonholed it must be brought out and carefully applied to foreign correspondence. Courtesy is an essential in letter writing to foreign countries. Although courtesy is inexpensive it is invaluable. The letter may be the only means by which a manufacturer can be introduced to a customer he has never seen. If the letter is written in a courteous, dignified and business-like tone it will impress the customer. If an opposite style is adopted it will be consigned to the waste basket.

Avoid Impertinences in Foreign Correspondence

Foreign business men are not accustomed to giving informa-

tion about their business as in the United States. They regard forms and other blanks in which questions are asked regarding business standing, credit rating and other details as reaching the Nth power of impertinence. The story of how an American house "got its foot into it" several years ago in Panama is told by Mr. Gerrard Harris, a special agent of the United States Government Department of Commerce, in one of the department's export trade publications.

"Most Latin-Americans do not at all approve of the very blunt and searching questions asked by some business house in an endeavor to obtain credit information," says Mr. Harris in the article. "The tropical dealers are not accustomed to these questions and resent them. The English and Germans get their data on business houses in a less direct manner. An incident of how the 'credit blank' is usually received was related to me by a business man in Panama. There called upon him a likable young salesman representing a concern in the United States. The Panamanian did not really need anything in his line, but the salesman made a very good impression; a friendship sprang up, and the Panamanian, purely out of personal regard, gave him an order for $150 worth of goods, intending to pay cash for them within thirty days. He promised to save a big order for the salesman on the next trip. The latter sent the order in and went on his way rejoicing. Now, that firm was well known in business in Panama for many years. Dun or Bradstreet could instantly have given its rating, and it is a good one. Any bank in Panama would have said the firm was good for $25,000, to say nothing of the $150. Next thing, the merchant received a long, imposing question blank asking questions concerning his wealth, whether he had been in bankruptcy, the amount of his debts and to whom, the volume of his business, his profits, references, and so forth, at length. He wrathfully wrote on the blank that he considered the questions impertinent, offensive, unnecessary, and a reflection upon him. Adding a fervent request that the firm keep the goods, he mailed the blank. Upon its receipt the house did some hasty investigating and shipped the goods. The Panamanian sent New York exchange for them before he had even taken them out of the custom house, and said nothing. In the course of time the young salesman came back, joyfully expecting the big order. The merchant greeted him cordially and invited him into a big $4,000 touring car. As they rode about, the native pointed out some buildings. 'See that three-story block? It is mine. And that apartment house? Mine also. The next one is my brother's; he is my partner. Yonder is another block we own jointly. I am director in that bank. I own a great deal of stock in that bank yonder.' The auto trip finished, the salesman was driven to his hotel. 'I just wanted you to see things for yourself,' said the merchant, and then with rising indignation told how the house represented by the young man had doubted him on a small order of $150. 'I like you personally,' he continued, 'but there will be no big order for you or any other order as long as you are with a house that has that style of business. Always come and see me—personally—and if you get a better house I will give you business; but this one, nothing for them.'"

A striking example of how not to handle foreign correspondence is given in the foregoing story.

Tell the Whole Story in Foreign Correspondence

It takes a letter about forty days to travel from New York to Siam, and about twenty-two days from New York to Valparaiso. Some of these far-away countries have as yet inadequate steamer connections with other parts of the world. Mail does not arrive every day. Consequently, the arrival of a steamer with pouches full of mail is the occasion of an important event in many foreign ports. Several weeks usually pass before the foreign merchant receives his business correspondence. When he does get it, he expects full information, if it is a letter in answer to an inquiry. If a strange American manufacturer is submitting a proposition his interest in it will depend on the care with which the correspondent prepared the communication. Has the letter explained everything accurately? Has it been thorough in its description? If the foreign customer is interested must he write for further information, which will mean another month or two of delay? Has it the air of courtesy?

These are some of the questions the correspondence department of the American firm must answer before dropping the letter in the mail box. In writing a letter to a foreign customer the manufacturer should endeavor to see things from the other fellow's viewpoint. He should assume that the customer knows

nothing of his product, nothing of the way in which it is made, nothing of the business practices of the house, nothing of his usual conditions of sale, and nothing of the manufacturer himself. Once acquiring this mental attitude he is then prepared to write a letter couched in plain words, in a dignified and courteous tone, and giving full information so as to enable the foreigner to understand the proposition thoroughly without the necessity of further correspondence.

Letter Should Be in Language of Customer

Out of pure courtesy, if nothing else, the language of the person who sends an inquiry from a foreign country to an American firm should be employed in the answer. There are times, however, when the use of any one of the principal commercial languages of the world, such as English, Spanish, German or French, may be made. In all the principal commercial centers there may be found big business men engaged in the importing business. These men, through years of travel in foreign countries, have acquired a knowledge of one or two foreign tongues. In writing to some of these big houses the letters may be written in English. When the correspondence involves a large clientele and territory, however, good business practice commands that the letters should be written in the language of the country for which they are bound.

Promptness in Answering Inquiries Necessary

It should be the rule of every American manufacturer to answer all communications in which inquiries are made by foreign writers. Sometimes their seeming unimportance causes the manufacturer to hurl them into the waste basket. It is difficult to measure the importance of a communication by the character of the letterhead. A communication from the interior of Peru, although written on cheap stationery, may be from a farmer who wants to buy machinery or from a priest who needs material for a new church. There should be no delay in answering these letters. There has been considerable complaint in late years against American houses that have failed to respond to letters

of inquiry. Complaints also arise from the failure of American manufacturers to promptly confirm transactions which have been closed by cable. This may leave the customer or agent at the other end in doubt as to whether the transaction is clearly understood. American manufacturers should confirm by letter all cables sent or received on the date on which they are sent or received in order that any misunderstanding arising from the use of a code may be corrected without delay. Too often manufacturers neglect to comply with requests from foreign correspondents for information accompanied with specific instructions as to how that information is to be given. An American consul in Italy writes that Italian merchants are very much disappointed at the failure of American firms to follow instructions, and have refused to make connections. The consul writes: "In nearly every case where the inquirer has been approached for his reasons in not making direct connections with American houses from which he has received quotations the blame has been placed on the American correspondents who have not complied with the requirements as to the use of the Italian language and of the metric system. . . . It should be explained that local inquirers have excellent reasons for requesting correspondents to comply with these indispensable features. In most cases the business is conducted by one man who maintains an extremely small staff, and consequently he has neither the time nor the inclination to have letters translated and the terms and measures converted into the system with which he is familiar."

Value of Signature in Foreign Correspondence

A typewritten signature attached to a circular letter is bad form. It is bad form anywhere. Sometimes even a rubber stamp signature is resented. The American consul at Hankow, China, writes as follows: "The Hankow consulate would like to draw the attention of American firms attempting to enter the foreign trade to the practice on the part of some of them in communicating with foreign concerns of sending out trade letters with no written signature, but with only a typewritten signature, usually the name of the firm alone. This is almost invariably construed by foreign merchants as an indication that the American house which does it lacks any real interest in the possible sale

of its goods abroad. The result of this policy is well illustrated by a remark made to the writer by the local manager of a foreign firm. His statement was to the effect that when he receives a trade letter from America, if he sees that the inquirer is sufficiently interested in the marketing of his goods to sign his letter, he always gives such communication the courtesy of a reply, while if he notices that no signature is affixed to the letter it is promptly consigned to the waste basket."

American firms should bear in mind the attitude of this foreign merchant, as his attitude reflects the frame of mind of business men in other lands as well, respecting a typewritten signature.

Necessity of Knowledge of Language of Foreign Customers

Before communicating with a customer in a foreign country the manufacturer should be sure that he is employing the proper language. The merchants of Brazil resent letters received in Spanish, even though the country is in what is commonly known as "Latin-America." Brazil was once a Portuguese colony and the country was inhabited by people of Portuguese origin. One may suspect that Jamaica is a Spanish-speaking island because of its geographical position. Jamaica is a British colony, and the inhabitants speak English. The three Guianas—British, French and Dutch—contain populations speaking the language of the countries that control them. A young American, a few years ago, started to study Spanish in anticipating a trip he was preparing to take to Haiti. However, before he arrived there he learned that his awkward Spanish would be needless in a country where the native population had been brought up on French. Firms should first learn what language is used in the foreign country to which their letters are to be sent. It may save them considerable embarrassment.

Translations Should Be Carefully Made

There is more difficulty among American manufacturers in obtaining proper translations of letters than any other service in connection with their export problems. Employers experience little difficulty in obtaining any number of competent office clerks

to handle the routine of the business, but when it comes to finding competent translators who should correctly interpret English communications so that they may be intelligently translated into the required foreign language, these employers are hard pressed. The following classes of translators usually apply for positions:

(a) Americans who have learned a foreign language in the schools of this country, or through some popularly advertised method.

(b) Americans who have learned a foreign language in a foreign country, and who are able to read, speak or write it.

(c) Foreigners who have a good knowledge of English as well as a thorough knowledge of their own language.

(d) Foreigners whose knowledge of English is limited, although having a thorough knowledge of their own language.

(e) Americans of foreign descent who have retained a good knowledge of the language of their parents.

Of these five classes perhaps the best qualified are those falling in classes b, c and e. Those coming in class a should never be considered. "Canned" translations only would result from the efforts of this class. It is possible that the best results may be obtained from class c. Having a practical knowledge of English the translator falling under class c is well equipped to "get the idea" behind a letter, and with his skill in the foreign language necessary he can use his own words and idiomatic expressions and yet retain the original meaning of the communication. A professional translator has this to say about the technique of interpreting English into a foreign tongue: "In order to be a competent translator of American business literature a translator must not only be perfectly familiar with English and equally familiar with the language into which he is to translate, but he must also be able to grasp the full meaning of the original matter, no matter how technical it may be. In most instances such work is extremely difficult and requires a high degree of education and intelligence as well as linguistic ability."

The same writer goes on to say: "In the course of my experience, in translating and in observing the work of other translators, I have found that the production of a translation which reads exactly like the original copy, and yet conveys the precise meaning to a foreigner, is a feat seldom achieved. The most successful translations, in fact, convey the spirit rather than the

language of the original, while the literal translation is generally a complete failure."

Same Language Differs in Many Countries

The greatest care should be taken in translating a letter into a language that is used in several different countries. We know that the English as spoken in London and the English as spoken in New York is quite distinct. The same is true of Portuguese as spoken in Portugal and that spoken in Brazil. The Spanish of Mexico differs from the Spanish of Chile and Argentina, and the Spanish of Peru and Paraguay differs from the Spanish of Ecuador and Cuba. These countries have their own idiomatic expressions and colloquialisms, and only a very skillful translator is able to prepare Spanish copy that is completely understood in all of those countries where Spanish is the native tongue. Certain American publications have attempted to solve this problem by having their articles translated into pure Castilian. While this plan seems to have the approval of many authorities on the subject, yet it is admitted that considerable difficulty is often experienced in translating certain technical expressions into Castilian so that they can be readily understood in Latin-American countries.

The difficulty of translating technical matter into a foreign language is ably explained by Mr. Maximilian Aviles, export manager of the American Sawmill Machinery Company, in a brochure entitled "Translating as a Factor in Export Trade." "Irrespective of the nature of the matter to be translated," says Mr. Aviles, "whether it be mechanical, legal, literary or simply commercial correspondence, the purpose of a translation is (1) fully and clearly convey the ideas expressed in the original, (2) to find the exact equivalent of words and phrases, and (3) to render the whole into idiomatic language as pure and spontaneous as the original composition. Any translation that fails to meet these requirements is defective. If it conveys an opposite idea, an erroneous or different impression, it is obvious what the consequences will be. If the proper equivalents in current use are not found for technical words, or exact definitions of the same are not given, the translation will not be understood by the reader or will carry no force. And, assuming that

these two requirements have been faithfully complied with, if the third should be ignored and the translation be made in a style entirely foreign to the character of the language, it will then be ineffective, perhaps ridiculous; sentences and paragraphs will suggest the ludicrous instead of explaining or convincing."

Useful Suggestions in Foreign Correspondence

The export manager should always be given a copy of all communications having to do with export trade. If it is the system of the firm to have all original letters go direct to the executive's office the export manager should be supplied with a memorandum of the contents.

Sometimes mail bags are lost in shipwrecks or other unavoidable disasters, and important letters never reach their destination. In order to avoid loss, copies of the original letters should follow on the next steamer. By following this plan many American firms saved themselves and overseas customers considerable trouble during the height of the German submarine attacks in the Great War.

The envelope in which a letter arrives from a foreign country should not be thrown away until the location of the city from whence it came is fully ascertained. This is necessary because there are so many cities in different countries of the same name, and mistakes are likely to occur. The writer seldom specifies the country from which the letter originated.

American consuls often complain that American business men fail to place proper postage on outgoing mail. This not only causes delay but also expense to foreign customers whose heavy mail from this country may make the bill for underpaid postage quite large at the end of the month. The Official Postal Guide, which contains all necessary information regarding postal rates to foreign countries, should be in the library of every American exporter.

To insure prompt and safe transmission to destination of articles addressed to foreign countries, senders should (1) make the address legible and complete, giving the name of the country, that of the town or post office, and in cases of cities or towns the street and house number should be indicated. (2) Flimsy paper for envelopes should be avoided as they are liable to be

torn or destroyed in the long transits. (3) The use of sealing wax for the covers should be avoided, as letters so sealed often adhere to each other, and the addresses of some of the articles are destroyed by the tearing of the covers in the attempt to separate the articles.

Selection of Stationery for Export Correspondence

American business firms are known the world over for the quality of their stationery. Nothing impresses a foreign customer more than the exercise of good taste in the selection of stationery, and in the simple and dignified style in which it is printed. The use of glaring letterheads may prove offensive to the foreign eye. The same letterhead used in domestic correspondence with a line indicating its origin in the export department when corresponding with foreign customers has found much favor with many American exporters.

Export Department Should Have Good Mailing List

Every export department should have an up-to-the-minute mailing list of foreign prospects. A world trade directory published in London is in general use in this country. The United States Department of Commerce has from time to time printed directories listing merchants and importers of other countries, but these directories have not been kept up to date, and have decreased in value. In many countries reliable concerns have undertaken the task of compiling directories covering the business of the entire country. The names of these concerns may be obtained from the consuls representing foreign countries in the United States. The telephone directories issued in many cities may, also, prove of value if renewed regularly. Another source of information that has been entirely overlooked by many American manufacturers is the foreign press. In every large city of consequence there may be found a newspaper that prints the news of the entire country, including a commercial survey that should prove of value. The advertisements in these newspapers often furnish a clue that may lead to business relations between advertiser and manufacturer. The successful export

manager will keep on file the leading newspapers of the country in which his firm is doing business.

The Parcel Post as Means of Developing Foreign Trade

The parcel post is one of the most valuable mediums through which international trade may be developed. An instance of the possibilities of developing foreign trade through the parcel post is suggested in the statistics for 1912, showing that the Republic of Chile alone imported by this method from the outside world merchandise valued at $1,982,431, the share from the United States being only $49,404. Moreover, by using the parcel post foreign merchants are able to effect deliveries much more promptly than through the ordinary freight channels.

The advantages of shipping articles by parcel post lie principally in the economy involved. Packages up to eleven pounds in weight may be shipped to all the principal countries of the world at a nominal charge. The Official Postal Guide should be consulted for rates, regulations and methods of packing for parcel post deliveries.

While the principal markets of the world can be reached by parcel post from this country and further extensions are being contemplated, it will be necessary, however, to readjust certain parcel post agreements existing between the United States and Great Britain before a smooth intercourse through the mails can be inaugurated.

United States at a Disadvantage

The late Maynard D. Howells, Export Manager, Montgomery Ward & Co., of Chicago, in a recent parcel post conference at Washington, D. C., submitted the following in the form of a memorandum which was distributed to the delegates present:

"A study of the British Postal Guide shows that England lists 195 countries, colonies, or other overseas nations or groups, as open to her exporters for shipment by parcel post. The United States lists 86 such countries and groups, so that for purposes of comparison the exporter of England can ship his wares by parcel post to 109 more countries of the earth than can the American exporter.

"Nor is this all. By reason of her parcel post with the United States, without any further action, England's exporters can and may ship to all of our outlying possessions, that is to say, Porto Rico, Canal Zone, Hawaii, Philippine Islands, Alaska, etc., while on the other hand our post office department has only opened to us such British colonies as have entered into specific parcel post treaties with us. If England, by virtue of her treaty with us, is entitled to all rights and privileges of dealing with our possessions and colonies, why should we not also, by virtue of our parcel post treaty with Great Britain, have access to all of her colonies as well?

"But, to my mind, the most inconsistent and indefensible inequality in the arrangement is the situation by which those British colonies which have no parcel post with this country, and to which our government has provided no way for our sending parcels through the mails from America, may yet, on the other hand, send their parcels to the United States through the English post. Thus a merchant in Nigeria can send his produce, if he so wishes, to New York, by parcel post, but a New York merchant may not send parcels to Nigeria by parcel post. We have a parcel post between this country and England, and England has a parcel post with Nigeria. She, therefore, takes the common-sense view that so far as the conveyance of parcels from Nigeria to the United States is concerned, she will bring them in her own mails without any special treaty; but we, because we have no special treaty with Nigeria, have not even provided a reciprocal arrangement whereby the British mails in London will accept our parcels from our own mails. We must employ an agent in London, pay the postage from America to London and British postage from London to Nigeria."

Thus, it will be seen that there are still some difficulties in connection with exporting by parcel post which the government alone can remove. However, the fact that the postal authorities are bending every effort to extend the parcel post to different countries is encouraging. Arrangements have already been made with France and England to facilitate the despatch of packages from the United States to colonies belonging to those countries.

Countries with which the United States has Parcel Post agreements

*Alsace and Lorraine
*Algeria
*Argentine
*Australia, including Tasmania, Norfolk Island, and Papua (British New Guiana)
Azores
Bahamas
*Barbados
*Basutoland
Belgium
*Benadir
Bermuda
Bolivia
Brazil
British Guiana
*British India
*Carpathos
Chile
China, including Manchuria but not the province of Mongolia
Colombia (a)
*Cook Islands
*Corsica
Costa Rica (a)
*Crete
*Curacao (including Aruba, Bonaire, Saba, St. Eustatius, and Dutch part of St. Martins)
Denmark (including the Faroe Islands and Iceland)
Dominican Republic
*Dutch Guiana
Ecuador (a)
*Egypt (including the Sudan)
*Erithrea
Faroe Islands
*France (including Alsace and Lorraine, Algeria and Corsica, and Tunis)
*French Guiana
*Gibraltar
Great Britain and Ireland
*Greece
Guatemala (a)
*Guadeloupe (including Marie Galante, Deseade, Les Saints, St. Bartholomew, and French portion of St. Martins)
Haiti
Honduras
Hong-Kong
Iceland (see also Denmark)
*Italy (including Republic of San Marino, the Italian colonies of Benadir and Erithrea; the Italian post offices of Bengazi, Libya, and Tripoli-in-Barbary; and the islands of Carpathos and Rhodes)
Jamaica (including the Turks, Caices, and Cayman Islands)
Japan (including Formosa, Karafuto, Japanese Saghalien and Korea)
Labrador
Leeward Islands (Antigua with Barbuda and Redonda, St. Kitts, Nevis with

Countries with which the United States has Parcel Post agreements (Continued)

Anguilla, Dominica, Montserrat, and the Virgin Island (British)
Liberia
Luxembourg
Madeira Islands
*Martinique
*Mesopotamia
Mexico (a)
*Netherlands
*Netherlands, East Indies
Newfoundland
New Zealand (including Cook and Fanning Islands)
Nicaragua
*Norfolk Island
Norway
*Palestine
Panama
*Papua (British New Guiana)
*Paraguay
Peru (a)
Portugal (including the Azores and Madeira Islands)
*Rhodes
Salvador (El)
*Samoa (British)
*Siam
*Society Islands
*Swaziland
Sweden
Trinidad (including Tobago)
*Union of South Africa (Cape, Natal, Orange, and Transvaal), Swaziland, and Basutoland)
*Uruguay
Venezuela
Windward Islands (Grenada, St. Vincent, the Grenadines, and St. Lucia)

(a) "Specially addressed" parcels are dispatched from San Francisco

* Parcels cannot be registered

Distance a letter has to travel, and time it takes to reach destination, from New York City

	Miles.	Days.
Alexandria, via London	6,150	12
Amsterdam, via London	3,987	8
Antwerp, via London	4,000	8
Athens, via London	5,655	11
Bahia, Brazil	5,870	14
Bangkok, Siam via San Francisco	12,900	43
Bangkok, Sedan via London	13,125	41
Batavia, Java, via London	12,800	34
Berlin	4,385	8
Bombay, via London	9,765	22

Distance a letter has to travel, and time it takes to reach destination, from New York City (Continued)

	Miles.	Days.
Bremen	4,235	8
Buenos Aires	8,045	24
Calcutta, via London	11,120	24
Cape Town, via London	11,245	25
Constantinople, via London	5,810	11
Florence, via London	4,800	9
Glasgow	3,370	8
Greytown, via New Orleans	2,815	7
Halifax, N. S. (rail)	967	1 1-3
Hamburg	4,820	9
Hamburg, via London	4,340	9
Havana	1,366	3
Hongkong, via San Francisco	10,590	27
Honolulu, via San Francisco	5,645	12
Liverpool	3,540	7
London	3,740	7
Madrid, via London	4,925	9
Manila, via San Francisco	11,583	31
Melbourne, via San Francisco	12,265	27
Mexico City (railroad)	3,750	5
Panama	2,355	6
Paris	4,020	8
Petrograd, via London	5,370	9
Rio de Janiero	6,204	17
Rome, via London	5,030	9
Rotterdam, via London	3,935	8
San Juan, Porto Rico	1,730	6
Shanghai, via San Francisco	9,920	25
Stockholm, via London	4,975	10
Sydney, via San Francisco	11,570	26
Valparaiso, via Panama	5,915	22
Vienna	4,740	9
Yokohama, via San Francisco	7,345	20

Chapter VII

ADVERTISING IN EXPORT TRADE

NECESSITY OF AMERICAN ADVERTISING IN FOREIGN FIELDS—ADVERTISING MEDIA AT HOME AND ABROAD—COPY FOR FOREIGN COUNTRIES—THE EXPORT CATALOGUES—HOW CATALOGUES SHOULD BE PREPARED AND DISTRIBUTED—DUTIES ON CATALOGUES

Advertising is largely an American idea. Here in this country we have developed it, enlarged its sphere, sifted the good from the bad and, finally, reduced it to a science which has taken its place in American industry as a vital factor in merchandising progress. It is true that the printed word is in use in other countries for the purposes of advertising, but nowhere on earth has so much attention and close study been given to advertising as here in the United States. The truth of this statement can readily be grasped by an investigation of foreign advertising methods. It is the consensus of opinion of American authorities on advertising who have returned from foreign countries after extended surveys in various countries that, compared to American methods, the science of publicity abroad is yet in a primitive condition. No concentrated thought has ever been given to it. It is unorganized.

The time has now come when American advertising methods must extend to the entire world. We must, in our own original way, with certain necessary readjustments, send the message to the four corners of the globe. Just as we have intensely developed the domestic market by enlisting the power of the printed word, we must methodically and intelligently bring our knowledge of advertising into play in the foreign field. We must first study our markets. We must investigate all channels through which the message is to be sent. We must know where those channels lead to; and when they get there, we must know the extent to which they are capable of spreading the story. To obtain this data is more difficult than at home, and of necessity, therefore, the manu-

facturer who desires to advertise in the foreign field must proceed with caution. The fact that he is going out of his own territory to advertise should not tempt him to throw aside all the points he has learned at home. This has been the experience of many American merchants who believed that "any kind of advertising would do in overseas trade."

Advertising Media in Foreign Trade

Before laying out an advertising policy for foreign countries the manufacturer must first analyze his market. Once satisfied that there is a market for his wares in a chosen field, he must then proceed with the development of his selling plan. Regardless of the kind of selling plan he decides to adopt there is going to be a certain amount of advertising required. In order to properly plan and execute an advertising campaign he must have a knowledge of the tools with which he is to work. "What mediums can I use to successfully advertise my goods?" he inquires. "Shall I use newspapers? Shall I use magazines? Shall I use billboards or motion pictures?" These are only a few of the questions that may occur to the merchant.

For the purpose of analysis the essential media will be listed as follows: (a) The trade journals, or, as commonly known, the American export journals; (b) the foreign local daily press; (c) the foreign local periodical journals; (d) the catalogue; (e) the billboards; (f) the motion picture; (g) miscellaneous media.

The Trade Journals as Advertising Media

There are different types of trade journals available. There are trade journals that are printed in a foreign language and circulate exclusively in foreign countries. Then there are those that circulate exclusively in this country and claim as their subscribers and advertisers shipping men, freight brokers, bankers, importers and exporters, etc. The oldest type of trade journal, perhaps, is the one which circulates in foreign countries and numbers among its subscribers importers and merchants engaged in selling imported wares from other countries. Its advertising columns are

usually confined to the business of manufacturers and exporters seeking markets in foreign countries or agency connections with certain subscribers it is known to reach. This type of export journal is usually printed in several different languages. A Spanish, French, Portuguese and English edition is ordinarily published. It does not circulate in the United States. Its aim is to reach the dealers and importers in foreign countries, not the consumers. It is published primarily for the trade. Of course, big consuming concerns such as mines, construction companies, railroads and other large industries who make direct purchase may be numbered among the export trade journal's subscribers. The articles in these export trade journals are usually aimed to keep foreign buyers in touch with American industrial and commercial news such as advances in processes, improvements, new inventions, and novelties.

The export trade journal may be general or specific in character. Some aim to cover the entire field of exports in a general way, while others devote their space to certain specialized lines, such as engineering, farming, mining, drugs, and leather, etc.

The circulation of these trade journals is limited. They are not sold on the newsstands. No attempt is made to obtain wide circulation among a general class of readers in foreign countries. It is the chief aim of the publishers to get it into the hands of dealers, importers and big consumers who may be interested in the advertisements of American manufacturers. Some of these publications have paid circulations certified by the American Audit Bureau of Circulations, while others are satisfied in having their copies distributed carefully to select mailing lists.

In speaking about the trade journal's activities in Cuba, which practically answers the purposes for other countries in Latin-America, J. W. Sanger, Trade Commissioner for the Department of Commerce, has this to say in his report on "Advertising Methods in Cuba": "The exact position and importance of the many American export journals printed in Spanish and circulating in the Cuban field are exceedingly difficult to determine. With two or three exceptions, they are published primarily for the trade and do not attempt to reach the consumer. All the leading ones are well edited, and well printed, and contain much information for the Cuban importer, merchant, and planter. However, with few exceptions, even the best of them have comparatively limited paid circulations, owing, undoubtedly, to the difficulties of obtaining subscriptions in this field. But the buyer of advertising space should not too greatly discount their value on this score, as he is inclined to do with publications of strictly American circulation. Many of them are mailed directly to lists of selected names chosen with great care, and it is undoubtedly the degree of care governing this selection of names that largely determines their value as advertising media. . . .

"As one of the important means of supporting his campaigns in Cuba, the advertiser may well give close attention to the claims of at least the leaders among the trade journals. Unquestionably, if properly circulated, they are a means of assisting him in his efforts to reach the market."

In judging the merits of these export trade journals Mr. Sanger suggests the following questions to be put to the publishers: "(a) What is your total circulation each issue? (b) What is your total circulation in each Spanish-speaking country? (c) How is it secured? (d) What is the type of your readers? (e) Is your circulation certified by the Audit Bureau of Circulations? (f) Are your papers sent out in bulk, or are they wrapped, stamped, and individually addressed? (g) Are your editorials and news articles merely compiled from doubtful sources or written by men who know the country and your type of readers? (h) Do you permit 'write-ups' in your reading pages?"

Foreign Local Daily as Advertising Medium

There are good and bad newspapers all over the world. Every large city has its great daily newspapers which exercise a wide influence. In some countries one or two newspapers dominate the entire field. In other countries there is a great rivalry between the newspapers of the larger cities. In no country in the world, however, is the daily press so well organized and standardized as here in the United States. The manufacturer who desires to advertise in a number of newspapers in this country consults his advertising agency. In a minute he has before him all the necessary circulation data. He knows the character of the market to be reached. Accurate information of the same character from foreign publications as a general rule is unavailable. Advertising rates often vary with

the temperament of the publisher, and it is highly impossible to obtain the real facts concerning circulation upon which so much stress is laid by skillful American advertising experts.

With the extension of American business practices in the foreign field, however, the matter of obtaining information regarding the foreign daily press is becoming less serious. The big American advertising agencies, conscious of the necessity of consumer advertising in foreign fields, are rapidly taking the proper steps to carefully analyze the foreign press in all its phases. It is a question of time only when exact circulation figures of every important newspaper in the world will be available. Also, such information as to the character of its readers, methods of distribution, and the character of market it covers will be at the disposal of American advertisers.

The use of foreign newspapers is essential in the development of the market. Consumer advertising is a necessity. It is not enough to interest foreign buyers in American-made products through the trade journals. Another step must be taken. American merchants must help dealers move the goods off the counters. This can be done—as it is done in America—by the judicious use of the newspapers. The author has no faith in the statement that the world lacks good newspapers which may be used for advertising American goods. The world is full of good media. If there is a country without its big daily newspaper an investigation will show that that country is not sufficiently developed to warrant the interest of an American merchant. Where there are big markets one will generally find big newspapers.

The Foreign Local Periodical Journals

Foreign local and periodical journals among which may be numbered trade and class publications are not as numerous in foreign countries as in the United States. Even those that have gained a commanding influence and a wide circulation cannot compare with our own well known popular magazines. They are not as skillfully made up as in this country. The careful editing and printing technique that is put into an American publication is sadly missing in a foreign journal. There are some periodicals, however, that rank very high in

their own fields, and deserve serious attention by American advertisers. Although their true circulations are obscure there is no question that some of these publications are widely read. There is a journal published in Spain whose circulation not only spreads throughout that country but in every Spanish-speaking country in the world. Other countries in Europe as well as the English-speaking colonies of the world boast of trade and class papers. The Germans, French, Belgians, Dutch, Danish and other peoples engaged in foreign trade, also, have their trade publications of varying character and standards.

Miscellaneous Media for Export Advertising

The American manufacturer must be on his guard against advertising schemes of one kind or another that aim to separate his hard-earned gold from his cash drawer. The briskness in export trade at the present time has tempted many of these schemers to lay out plans of a questionable advertising value for the unwary merchant. The same good judgment as applied in the local field should serve as the formula to keep away from these designing individuals who claim to have found the "royal road to success" in foreign advertising.

"Special Export Editions" are often launched by regularly established newspapers and periodicals. The rate for advertising in these editions is usually higher than in the ordinary issues, due to the fact that free write-ups are included. The advantages of "special export editions" or any kind of "special editions" are questionable. The shrewdest American advertisers who have tried all sorts of publicity schemes are more and more beginning to look upon these special editions as wasted effort from an advertising point of view. The fact that some of our more conservative newspapers, and weekly and monthly journals have within recent years frowned upon this method of increasing their advertising receipts, preferring to rely on their regular business for their success, justifies the statement that the special edition is fast losing its popularity. The fact that it is a "one time" proposition is, alone, a sufficient indictment against it.

Trade Directory as Advertising Medium

Trade directories in many forms are quite common. Those published and circulated in the United States are supposed to contain classified lists of business men engaged in foreign trade. Others are circulated in foreign countries and contain the names of manufacturers. These directories are aimed to direct the foreign buyer to the proper sources for special lines in which he may be interested. Some of these directories usually find their way into the offices of American consuls abroad, where they may be consulted by foreign merchants. There is no question that these directories are capable of doing some good work for American manufacturers. They are often consulted. Before subscribing to this form of advertising, however, the manufacturer should find out how and where these directories are to be distributed, and whether the price he must pay is consistent with the service rendered. Of this, the manufacturer, alone, is the judge.

Export trade journals circulated in this country exclusively and containing editorial matter of interest to manufacturers and exporters and importers alike, are growing in number. In New York city alone there are at least half a dozen of these publications coming under this classification. Articles covering specific problems in foreign trade add considerable value to these journals. They aim to circulate among American merchants vitally interested in some phase of foreign commerce. These export trade journals should not be confused with house organs which are published by certain American export commission houses, and conducted in connection with their regular merchandising business.

Outdoor Advertising in Foreign Countries

Street-car and outdoor advertising is not confined solely to the United States. This form of advertising is in evidence in nearly all the important countries of the world. In some countries street-car and outdoor advertising is confined purely to the large cities. Electric signs, also, will be seen in commercial centers. These three forms of advertising, however,

are not as well organized and developed as in the United States. There is plenty of room for improvement.

The world is a virgin field for American motion pictures. The American-made "movie" has practically crowded foreign competitors off the field. The foreign world is very much interested in American methods, and there is no better way to visualize American industry and progress than through the motion picture. American manufacturers who have "filmed" their plants for domestic exhibition should turn their eyes toward foreign countries where their pictures will be enthusiastically received. The titles, of course, should be translated into the language of the country where they are to be exhibited. The most successful motion picture for foreign purposes will be that one which visualizes the entire process of manufacture of an article in story form. In other words, the film should be made under the direction of a skillful director who understands the art of telling a story in a motion picture.

Copy for Advertising in Foreign Countries

Advertising copy as used in the United States will not "go" in foreign countries as a general rule. The foreign newspaper reader is accustomed to conservative methods in advertising. The bombastic page advertisement often seen in the American press needs considerable deleting and rewriting before it should be permitted to leave this country. It must be understood that, in preparing copy for the world, the advertising writer must take into consideration different languages, customs, habits, idiosyncracies, peculiarities and what not in the countries where his copy is to be placed. Advertising copy that may be satisfactory in Australia may not be used in London. Also, copy for the different Latin-American countries requires considerable changing. The problems that the copy writer has to face are interestingly told by Mr. J. W. Sanger, Trade Commissioner for the Department of Commerce, in referring to the Cuban situation.

"A well known Cuban who has spent many years in both the United States and Europe said to me," Mr. Sanger writes: " 'We Cubans do not think constructively in the Anglo-Saxon sense, but enjoy enjoying our emotions. We love color and

life in everything, and we demonstrate it in the bright colors of our automobiles and in the spots of pink, terra cotta, and blue of our older houses.' His opinion, and it was substantially supported by many others, has a distinct bearing upon the 'copy appeal' necessary in Cuba. Carried to its logical conclusion, the evidence of these witnesses and the writer's observations both tend to indicate that 'reason why' copy, common in the United States, finds little response in Cuba except in the advertising of articles of a distinctly technical nature."

Often social conditions and climate determine the character of copy for foreign countries. Again quoting Mr. Sanger: "In Cuba the writer observed one advertisement of an American cleaning fluid or wax, in which the illustration pictured the man of the house and his wife deeply interested in the work of cleaning their car. In Cuba all cleaning, without exception, is done by the chauffeur or in a public garage. Even the cheapest automobiles are driven by chauffeurs, and the owner exerts no appreciable influence as to the kind of cleaning fluid or polishing wax used. He is the opposite to the American who has a turn for mechanics and who does not object even to cleaning his own car at times.

"Another advertisement of a well-known American proprietary medicine widely advertised as a preventive of colds showed the danger of cold weather and its attendant sickness by picturing two children in a snowstorm. Cuba is in the tropics and snow has never fallen there."

These quotations from Mr. Sanger serve as typical illustrations of problems that may be encountered in other sections of the globe. It is one thing to prepare copy that should stimulate interest and inquiries in one's articles, but it is another thing to prepare it in such a way as to take into consideration a hundred and one peculiarities that may be found to exist in one form or other in strange lands.

Simplicity Essential in Advertising Copy

Simplicity should be the keynote of advertising copy for foreign purposes. A formal and dignified style yet interesting enough to inspire the reader's interest should be the basic

mark set by the advertising writer. The development of this rule will be guided by experience in the different markets. There are no hard and fast rules in foreign advertising. Knowledge of the fundamentals is essential. Once acquiring this knowledge, success in preparing copy that will bring results will largely be determined by the seriousness with which the advertiser studies his foreign problem as well as in the selection of reliable advertising mediums.

The power of advertising lies in its cumulative value. It is not the advertisement that appears tomorrow alone that will bring results to the man who pays the space bill; it is the copy that is keyed to a certain schedule planned by experts that will justify proper expenditures in the final reckoning. It is needless to emphasize the necessity of carefully planned advertising campaigns. They are absolutely essential in the United States. It is a policy that must be adopted in foreign countries.

Export Catalogues in Foreign Trade

The export catalogue serves as the medium of direct advertising. The export catalogue goes right into the office or home of the prospective purchaser. The same degree of care as exercised in the regular correspondence with foreign customers should be brought into play in the preparation of the export catalogue. The catalogue should tell the whole story of the manufacturer's product. It should leave nothing for guesswork. It should be well illustrated. Every article should be carefully described. In preparing these descriptions and illustrations the manufacturer should take it for granted that the other fellow knows nothing about his merchandise. The catalogue should be written in the language of the customer for whom it is intended. There has been considerable complaint on this score from various foreign sources. An American consul in Italy complains that American manufacturers have not broken themselves from the habit of communicating with Italian merchants in English, and of sending catalogues in a language they not only do not understand, but lack the facilities for having it made understandable. A consul in Brazil insists that Portuguese is the lan-

guage of Brazil and that, therefore, catalogues should be in the Portuguese and not the Spanish tongue.

The mobilization of domestic catalogues written in English for foreign service in order to economize is false economy. While there are many foreign customers who may be able to translate and read the text of American catalogues with a great deal of interest, nevertheless there are countless others who will appreciate a catalogue printed in a language they understand. In reaching out for foreign business through the medium of the printed word it is generally agreed that the prospect should be addressed in his own tongue. The sooner this policy is adopted by the new beginner the better it will be for his business.

In making up foreign catalogues the same care exercised in translations in correspondence should be taken in preparing the text. Translations must be perfect. They must be understood wherever they are sent. Translations should not be left to individuals whose bid has been the lowest, but to those who can prove their efficiency. The language of the country where the catalogue is to circulate should be thoroughly understood. The English language should not be misunderstood. The perfect translator is he who understands both languages.

A cheap looking catalogue should be avoided. The catalogue is the show-window of the manufacturer. A neat display attracts the customer. A "shabby" appearance detracts. Care should be exercised against using inferior grades of paper. This precaution is necessary in order to avoid poor reproductions of engravings. The clearest possible pictures are necessary for an export catalogue, and the selection of a satisfactory grade of paper will assure this result.

Full Information Is Necessary in Catalogue

In the absence of the personal representative the export catalogue is the manufacturer's "right hand man" in the field. Through the medium of the catalogue the manufacturer is endeavoring to create interest in his merchandise. He would like to draw an inquiry which later may turn into a huge order. The success with which he will achieve these aims

rests with the skill which he has employed in the preparation of his mouthpiece. Has he made a proper introduction? Has he made a careful presentation of his case? Has he logically driven home his points as to quality, utility, or price? Has he told his story without exaggeration? An affirmative answer to these questions serves as some of the fundamentals required in the making of a good catalogue.

Half-tone Cuts Should Not Exaggerate Article

It is an old complaint that some of our half tone cuts appearing in American export catalogues look so attractive that the purchaser of an article which has been so temptingly visualized is often doomed to a keen disappointment. The "real thing" is so much different from the picture. It is not in the least difficult for a skillful artist to picture a gun or watch of nominal value so that it will look like an expensive article. While the artist's skill is to be commended, nevertheless, special care should be taken to accurately describe the article in order to avoid any misunderstanding on its sale. It is a much better policy to be absolutely honest in a careful description at the outset than to constantly endeavor to appease the wrath of some disappointed buyer who may feel that he has been imposed upon. When the foreign purchaser buys an article from a catalogue he expects it to be exactly as described. He places a certain amount of confidence in the catalogue. How much that confidence is deserved depends on the good faith the manufacturer exhibits in the preparation of his literature. He must remember that the logical policy is that policy that will insure a permanent business. A permanent business abroad depends on the confidence he can inspire from new customers. Surely he cannot build up a permanent trade by questionable methods.

How Prices Are to Be Quoted in Catalogues

There are instances where American manufacturers have sent catalogues without prices accompanying the articles described therein. An American consul relates an instance

where a large American implement manufacturer lost a valuable order in an Australian field because the buyer was unable to obtain any information about the prices of some articles he very much desired, and which the manufacturer had for sale. Catalogues should be accompanied with prices. Catalogues meant for distribution among the consumer population should not contain prices unless the suggestion or advice of agents in the territory in which they are to be given is first sought. But catalogues that are likely to fall into the hands of importers, jobbers, wholesalers and retailers alike should not contain list prices unless accompanied with liberal discount terms in order that the wholesalers and others engaged in the resale of goods may be protected against the betrayal of their profits. Further protection may be gained by inserting two separate lists of discount sheets in the catalogues, one to retailers and the other to those who do business with retailers.

The export catalague should function something like the export traveling salesman. It should be capable of giving complete information regarding the manufacturer's wares. Moreover, it should enable the customer to accurately estimate what the goods are likely to cost him. Unless the catalogue is accompanied with full explanations on this score the customer may lose all interest and seek some other firm that extends better facilities.

Information Necessary in Export Catalogue

The export catalogue should be able to answer the following questions:

Is shipment to be f. o. b. factory or f. o. b. port of shipment?

Is it to be f. o. b. steamer?

Are there any additional expenses such as packing, cartage, etc.?

If packing charges are not included what are approximate costs of other packing peculiar to requirements of goods?

This information is necessary as it enables the customer to make an approximate estimate of the cost of the goods when landed at the port of destination.

Nor does this requirement end here. All weights and dimensions of each unit of the shipment should be given in the metric system as well as in the English system. The gross and net weight of the goods as packed and prepared for shipment, with the metric equivalents included, should not be overlooked, as it enables the buyer to estimate freight costs and the approximate ultimate cost of the goods when he receives them. Full description of how the goods are to be packed should be given, as well as a statement of the costs of other methods of packing that the customer may require. It must be remembered that the weight of the packing may prove to be a very important factor in determining the cost of merchandise to the importer. It is advisable to invite suggestions from the importer as to the best means of packing goods for shipment to his territory.

Quoting Prices in American Currency

The foreign purchaser probably knows more about international currency than the average American manufacturer. With very little effort he can find the equivalent of an American dollar in a foreign currency. Therefore, in quoting in catalogues and price lists, it is advisable to name the prices in American currency. If the manufacturer wishes to include the equivalent in other coins, however, he should confine himself only to the most important currencies, such as the pound sterling, francs and marks, which are well known all over the world.

Terms of Payment for Merchandise Bought

There has been considerable criticism on the part of foreigners to the effect that American manufacturers demand cash in advance for goods purchased. This is true only in cases where the customer is a total stranger, and where his credit rating is unknown. In making quotations in the catalogue terms of payment should be included. The best authorities on export trade agree that these terms should be either strictly cash or some form of guarantee before goods are shipped. The buyer may find relief from this apparently

difficult method of doing business, however, by placing his orders through commission houses, or sending a draft along with his list of requested articles. Also, his local bankers may be requested to open a credit with American bankers. After mutual confidences have been established, however, it will not be difficult for a foreign purchaser to buy merchandise in the United States on the most agreeable terms possible.

How Catalogues Should Be Distributed to Trade

Catalogues are expensive to produce. They serve as a direct medium through which a foreign business may be developed by an American manufacturer. How extensive this business may become depends largely on the intelligent distribution of this valuable literature. Catalogues in the Portuguese language should not be sent to Argentina or Chile, where Spanish is spoken. Neither should catalogues aimed to reach wholesalers fall into the hands of retailers or consumers. The best available lists of retailers, wholesalers, or others engaged in reselling should be consulted. Reliable names may be obtained from well known trade directories or from commercial organizations. Export trade journals of the better class are able to furnish competent lists. It is possible that foreign banking institutions may be able to submit good lists of names. The American consuls in different parts of the world as well as commercial attaches often ask for catalogues of American firms to distribute among interested importers.

Import Duties on American Catalogues

Catalogues cannot be sent to foreign countries indiscriminately. The duty on such material in various countries must be investigated before a plan of distribution is launched. When it is known that in some countries the duty on catalogues is greater than that on the accompanying merchandise the necessity of taking due precaution in this matter will be recognized. In order to protect foreign customers from the payment of

duty on this sort of material, catalogues should never be included with the shipment of goods. If advertising matter, such as catalogues, posters, etc., is to be sent, it should be packed in a separate case, and only on the instructions of the customer. In nearly every country in the world the manufacturer will discover certain duty obligations on export catalogues. Before planning their distribution he should consult the consul of the country in which he desires to distribute his literature for accurate information.

Chapter VIII

EXPORT HOUSES

THE EXPORT MERCHANT—THE EXPORT COMMISSION HOUSE—HOW EXPORT HOUSES OPERATE IN FOREIGN FIELDS—ADVANTAGES AND DISADVANTAGES OF EXPORT HOUSES—FUTURE OF EXPORT COMMISSION HOUSES

American export houses commonly known as the export commission houses or the export merchants are the pioneers of American foreign trade. They have blazed the trail into strange lands. They have introduced articles made by American workmen among peoples of a different language and customs other than our own. They are the original propagandists of American skill. Wherever there have been found people who commanded a certain purchasing power or who had valuable articles to barter there would be found the pioneer American trader ready to make a bargain. The American export houses are the "middlemen" in our export trade. A half century ago they controlled, perhaps, almost the entire volume of our business with foreign countries. As American manufacturers are beginning to recognize the necessity of extending their direct sales activities to foreign countries, however, these commission houses are gradually losing what was once a firm hold of the export trade. But it never will be entirely lost. There will always be middlemen in foreign trade just as there are middlemen in domestic business. The export house in foreign commerce is a valuable institution. It knows the business. It has marshaled together a force of skillful and competent men who thoroughly understand every branch of business abroad. It understands the routine involved in the shipment of goods by sea, that is not encountered at home. It knows the customs and habits of foreign peoples. It knows the laws and regulations and other details peculiar to transacting business with customers in a foreign

country. In other words, the export house is a specialist in its line of business, and this is an age of specialists.

The Export Merchant and the Export Commission House

As our foreign commerce began to gradually grow the functions of these export houses engaged in foreign trade became more complicated. Originally, there was a sharp distinction between the export commission house and the export merchant. The export merchant confined his activities to purely buying and selling on his own account. The export commission house confined its activities to the execution of orders in the United States for foreign customers, never buying merchandise on its own account.

With the development of our foreign commerce, however, and the extension of our means of communication and transportation to even the most out-of-the-way places of the globe the functions of these houses have been constantly increasing, and now we find the export merchant not only continuing in his original policy but assuming some of the functions that were once exclusively controlled by the export commission house, and, on the other hand, we find the export commission house in many instances invading the field of activities that tradition originally assigned to the export merchant. In fact, this confusion of functions has become so pronounced that it is now difficult to determine just where the line should be drawn between what has been commonly known as an export merchant and an export commission house.

Functions of the Export Merchant

In theory the export merchant purchases just like the domestic jobber or wholesaler. He buys where he can obtain the lowest prices and he sells wherever he can get the best prices for his merchandise. He engages in this business on his own account. Unlike the export commission house, the export merchant need not wait until some foreign customer sends in an order or indent for American goods. If he feels that he can buy goods at an advantage today or book freight space for

such and such a date he will do it without the necessity of receiving instructions from anyone. He is his own master.

Operations of an Export Merchant

The export merchant is usually to be found at some great seaport like New York or San Francisco. From these points he directs operations that may cover the greater part of the world or only a portion. When the field is broad the merchant divides his business into departments so that each department may individually conduct the business of a certain territory. For instance, there may be a Far East department, or a South African department, or a Latin-American department. It is necessary to divide the business into these various departments because of the special requirements and peculiarities of each geographical group. Only a force of employes that has specialized in the handling of the business in each of these groups for a long period of time can efficiently handle the great amount of detail work involved.

Instances are, indeed, rare where an export merchant endeavors to cover the world in the development of his business. It does not pay. Such an attempt involves the thin spreading of his energies over a great amount of territory, and much uncertainty, whereas, if he would confine himself to one geographical division where conditions are uniform, the efficiency of his staff would not only be increased but undivided attention to the development of that particular market would be assured. There are, of course, certain large exporters of staple articles that must of necessity confine themselves to no individual zone. Among these may be included exporters of wheat or cotton.

How Export Merchant Transacts Business

When the foreign importer wants to know the cost of an article or an assortment of articles for the purpose of quoting his local trade he is interested in knowing the approximate cost of the merchandise at the port of destination so that he may be able to intelligently figure his price therefrom. As the

export merchant receives many of these requests for quotations by cable he must of necessity detail the cost of the merchandise, the marine insurance and the freight charges. This is the modern c. i. f. term which involves the merchant in the obligation to furnish the goods, provide the transportation to port of destination, and to insure the shipment against ocean risks. This serves as a great advantage to the importer who is in a position to precisely know what his goods will cost when they arrive so that he can make his own price to the customer. Furthermore, the importer is relieved of the trouble of booking freight space as well as the risk involved in the changing freight rates. The export merchant, being on the ground, is in a better position to exercise his discretion in the booking of freight than the importer. He is necessarily in close touch with shipping conditions. The merchant, of course, is not confined to quoting c. i. f. terms exclusively. The nature of the relations existing between merchant and importer may determine the method of quotation. In a later chapter these c. i. f. terms will be more fully explained.

Export Merchant's Branches at Home and Abroad

The bona fide export merchants of today have branch offices in every section where their business has been developed. This means that they may have branches at home as well as abroad. Owing to great distances and the necessity of having personal attention at the principal ports of shipment in the United States the export merchant whose volume of business justifies it has now a branch office in each of the principal seaports of the United States through which the great volume of the American export trade passes to foreign countries.

A well known export merchant has a string of branches along the west coast of South America. These branches dominate the territory in which they are situated. The organization of the foreign field is even extended to sub-branches which are responsible to the main branch of the country, and in turn the main branch is responsible to the head office in the United States. The branch manager must be not only a competent man, but a man with a vision. He must develop the business as well as keep the home office in touch with

changing local conditions. He must know the financial strength of those with whom he is doing business. He must know at all times what his competitors are doing and constantly keep the home office informed by cable or by mail as to the actual situation. The advantage of a branch office lies, of course, in the fact that it is on the ground to know first hand what the conditions and possibilities are, as well as to contribute the element of the personal equation in the market, which is a powerful factor nowadays in developing an export business.

Foreign Agency for Export Merchant

The nearest approach to a branch office for an export merchant is a foreign agency which is supposed to render practically the same services as a foreign branch office. The foreign agent is expected to do all in his power to develop business for the export merchant. The foreign agent may have the exclusive representation of more than one line, provided, of course, there is no conflict of interests. An agent must not represent two different makes of a typewriter or an automobile. The kind of agent the American export merchant is always looking for is he who takes the initiative in developing business, such as sending out solicitors to interview the trade, and who constantly keeps his principal informed of market conditions or other developments that may be of importance to the home office. The diligence with which the agent functions determines his continued relations with the export merchant.

How Export Merchant Works With Manufacturer

Individual cases, of course, determine the relations between export merchant and manufacturer in the exploiting of the latter's goods in foreign fields. Authorities on the subject of relations between these principals agree that the contract that has found most favor is that which provides that the export merchant shall guarantee to purchase a stated quantity of the manufacturer's article in return for the exclusive agency

in the country where the merchant is operating. Some of the most famous American trademarked articles have found their way into foreign countries by this method. A certain make of typewriter has been introduced into a foreign market by a somewhat similar plan of action. In this sort of an agreement a clause may also be included providing that the manufacturer and merchant equally share the expenses involved in sending a traveling salesman through the territory on soliciting mission. Whatever sort of an agreement is reached, it must be remembered that the export merchant performs a useful service, and is competent to intelligently develop sales for American goods in foreign markets. The export merchant by virtue of the strength of his organization may be in a position to handle the lines of several manufacturers, which is an economic saving in itself. On the other hand, the manufacturer may find it more profitable to do business direct. This he can do, but he must have the export machinery to do it with. Either method has its advantages and disadvantages. The decision to choose one or the other rests with the manufacturer. His course is determined by his own individual problems.

Functions of the Export Commission House

Theoretically, the export commission house merely executes orders in the United States for a foreign importer, receiving its income from commissions it charges to these clients for services rendered. This is the basic principle upon which the commission house originated. With the growth of our export trade, however, the export commission house ceased to confine its functions to executing orders for foreign buyers and assumed additional burdens, such as buying and selling in special instances and acting as agents for American manufacturers in foreign countries. Of the 2,000 or over export houses in the principal ports of the United States the majority of them may be properly called export commission houses.

The export commission house begins operations by inducing foreign buyers to entrust their purchases in the United States with the firm. In order to gain this confidence the commission house must prove that it has a thorough knowledge of

the sources of supply in the American market as well as an experience in the purchase of merchandise. Moreover, the commission house must be thoroughly equipped to handle all the details peculiar to the export trade. In other words, it must be an export house in every sense of the word.

How Export Commission House Executes Orders

An order comes from an importer in South Africa for an assortment of goods. In the relations existing between the export commission house and the importer it is already understood that a certain fixed commission will be due the former for its services in executing the order and in obtaining the lowest prices possible. In this case the commission house will usually ship the goods to its client on an f. o. b. basis, i e., free on board ship. Before this development in the transaction is reached, however, the export commission house will have sent its buyer out to find the goods. It is possible that the importer has specified the manufacturers from whom the goods are to be bought. The buyer has nothing to do then but to go to these manufacturers and obtain them. On the other hand, the importer may have left the selection of other items on the order entirely to the judgment of the commission house. In this case the commission house buyer goes to the manufacturers who make these goods. He may get in touch with them by looking up their names in the trade directories, or advertisements in the export trade journals. The goods are then collected together, shipped on one bill of lading and after the importer makes his payment the transaction is complete. The services rendered have been the buying of goods in the American market, the taking care of the details in connection with the shipment, the booking of freight space, and the obtaining of the marine insurance if the importer requests it. Finally the commission house draws against the importer for the cost of the goods and other charges, as well as the commission for services rendered. In this transaction the commission house is acting purely as an agent. We shall now see how it may act as a principal.

The order comes from the same importer in South Africa. Instead of asking the commission house to makes purchases

from certain manufacturers or in the open market the importer this time requests a price for a certain list of goods, including the cost, insurance, freight and the commission or profit that the commission house is likely to receive. In this case the export commission house is forced to quote on a c. i. f. basis. Also, it is in competition with other commission houses for the same order. Realizing that it must quote as low as possible in order to obtain the business, in many cases the commission house will eliminate the margin of profit in its price to the importer, and depend for its profit on its ability to buy from the manufacturer at a lower price than that quoted to the customer. Or, if it understands the freight situation, it may obtain space at a lower rate than that quoted in the original figure.

Thus it will be seen that the export commission house differs from the export merchant in that it acts merely as an agent for an importer in a foreign country executing all orders that the latter may issue. It approaches the functions of the export merchant only when it engages in the purchase and sale of merchandise on a c. i. f. basis, as explained in the previous paragraph. On the other hand, the export merchant buys on his own responsibility and sells where he can obtain the best price for his merchandise. No commissions are involved in his transactions. He fixes his own margin of profit, and that is included in the price to the customer.

Sometimes the functions of the manufacturer's agent are confused with those of an export commission house. The manufacturer's agent acts purely in behalf of the principal, as the name implies. Orders coming to the agent must go to the manufacturer he represents, while the commission house is not bound to patronize any particular manufacturer unless it is instructed to do so by the foreign client.

Organization of the Export Commission House

The export commission house may be found in any large American seaport. From this point a staff consisting of an executive, buyers, correspondents, shipping clerks, bill or auditing clerks, invoice clerks, and bookkeepers direct the business that may be extended to all sections of the world.

The number of employes and executives on the payroll is determined by the strength of the house's finances as well as the volume of business it conducts.

In the large organizations, where several countries are involved, departments are created to handle the business of each individual country. At the head of each department there may be a buyer whose functions are to understand the needs of the foreign country for which he is to make purchases, as well as to keep in touch with foreign buyers by frequent visits to their territory, or by correspondence. When buyers arrive in this country to look over the market it is the duty of the buyer for the commission house to make their acquaintance. In a business where technical knowledge is required the commission house may have on its payroll an expert buyer who has a thorough technical knowledge of the articles to be purchased. It often happens that a commission house leaves the buying to the heads of the departments, whose knowledge of the sources of supply may be adequate for intelligent work.

The buyer's aim is to obtain the lowest quotation, and to make as shrewd a bargain as possible. The intelligent conduct of his assignment depends on his knowledge of the sources of supply and the prices offered by competing manufacturers. Agents of the latter frequently make the rounds of the commission houses soliciting business. Buyers as well as heads of departments are thus able to keep in close touch with competing prices as well as new articles put on the market for sale.

Foreign Branch Office of Export Commission House

When the volume of business justifies it the export commission house will establish branches in certain commercial centers abroad. They are not to be found everywhere, however. Only those markets that have been developed sufficiently to justify special effort are selected as suitable places for branch offices. Usually these branches are in charge of an executive trained in the home office. Cases are known where natives are in charge. Whoever the branch manager may be, it is obvious that he must be given a free rein in the conduct of his duties. He is the man in the field and knows more about the conditions

and requirements than his superiors at home. His employers have selected him because of the confidence in his judgment. Therefore, when he assumes his duties of foreign branch manager they must rely on his judgment. It would seem that the successful conduct of a foreign branch office should be left entirely to the foreign branch manager, yet the powers-that-be at home often endeavor to dictate certain impossible activities without even consulting the man on the ground. In order to obtain the best that is possible out of a foreign branch office the export commission executive at home should be satisfied merely with the supervision of the general details of the overseas business, and leave the matter of obtaining results to the man upon whom he originally placed his confidence. If he fails to "deliver" then he has the power and authority to send him home.

The advantages of a foreign branch office are obvious. In the first place it puts the personal touch in the foreign field. This is very important. Also, through the branch office the home people are constantly kept in touch with changing commercial conditions and markets. A better knowledge of the financial standing of the customers is obtained. The development of the market is expedited. When there are new goods to introduce the foreign branch office is in a position to do this properly and efficiently.

Foreign agents of the export commission house operate in much the same way as agents for the export merchant. They usually trade under their own name and may have various sorts of arrangements for the representation of American lines.

Merchandise of the Export Commission Man

In theory the export commission house handles all sorts of merchandise. Some commission houses, however, specialize in certain lines, such as drugs, chemicals, machinery, hardware, clothing or automobiles. There is no set rule of action. Moreover, an export commission house may have an agency for an automobile in South America, while in Australia its line may be pianos. It often happens that an exclusive agency for a certain article does not follow the export commission

house all over the world. Neither are its lines identically the same in every country it reaches. An American export commission house deals in hardware in one section of the world, in cotton piece goods in another, and in agricultural machinery in still another.

The degree of specialization is generally determined by the volume of business that the export commission house may be able to work up in a certain line in its overseas trade. When the commission house reaches that point where it can give such specialized attention as the sale of a certain commodity may justify it will then be in a position to give more efficient service.

In every market different customs regulations, language, conditions, etc., may be encountered by the export commission house. If its program is so ambitious as to endeavor to cover the entire world it will readily be seen that a large staff composed of experienced men who understand the various methods of handling shipments for individual markets will be necessary. Unless the business is of such volume as to justify a tremendous organization the export commission house will do well to confine itself to certain territories where it will not be so difficult for the smaller staff to keep in touch with conditions as well to thoroughly master the details peculiar to those markets.

How Commission House Develops Its Sales

In developing business the export commission house may employ salesmen who are sent either from the home office or from the branches abroad. Or business may be developed by correspondence and advertising. Obviously, the first method is the best, as has already been indicated in a previous chapter.

In his operations the salesman may carry a large number of samples, which he displays at the branch office of the concern. Ordinarily he works out from this branch in the country to which he has been assigned. Some commission houses, however, send their salesmen to different zones. At the end of the tour these salesmen return to the home office to make their reports.

It has been shown in this chapter how the export commission house keeps in close touch with buyers for foreign houses who may arrive in this country to make their purchases. The names of these buyers may be obtained from the newspapers or trade organizations existing in the various seaports.

Routine of Commission House in Handling Order

The handling of an order in an export commission house is something like this:

The order is for an assortment of stationery. The importer may have specified the names of the manufacturers from whom the goods are to be purchased. In this case, the commission house buyer will have to look up these manufacturers. Or, the order may empower the commission house to use its own judgment. If such is the case the commission house will send out inquiries to the leading manufacturers for the lowest possible quotation on the goods. Before the order is given serious attention, however, the credit standing of the foreign customer is investigated. In old-established commission houses the matter of deciding whether or not the importer shall receive credit is a simple one, as they know the financial status of their customers through long experience, as well as the methods of obtaining reliable credit information concerning new customers who send their orders to be executed in the United States.

The matter of credit to the customer determined, the buyer now receives the order for execution. In the meantime instructions as to shipment, insuring and financing are given to the proper departments. All information regarding these instructions may be found in the card index, where it was entered when the order was originally received.

The buyer now proceeds with the purchase of the goods. He may know beforehand from what manufacturers he can obtain the lowest prices. Possibly it may be necessary for him to go out in the open market to obtain the most satisfactory quotations. Once having received these quotations from the various plants the buyer is now ready to place his orders.

When the orders are placed the buyer is practically finished with his phase of the work in connection with the order. The

shipping clerk must now keep in touch with the shipment from the factory to see that there is no delay in placing the goods on the ship at the proper time. In the meantime he must engage space. When the steamer prepares to load he must instruct the factory to ship the goods to the port.

The bookkeeping department handles the bills for merchandise sent by the manufacturers. It must prepare to make payments in accordance with the terms of sale. It also carefully compares the prices and items on the manufacturers' bills with the memorandum of the order placed by the buyer to see that no mistakes have been made. Once satisfied that the bills are correct it then prepares to make payment.

A draft of the bill of lading and the manufacturer's bill are now turned over to the invoicing department so that it can make out the documents peculiar to the shipment. The necessary information concerning the method of making out the draft and the taking out of marine insurance, etc., will be found on the card index which the invoicing department refers to.

When the invoice is completed the finance department is given the draft and other necessary papers which it takes to the bank. Payment is received in accordance with the terms arranged with the foreign buyer. The methods of financing a shipment will be more fully explained in a subsequent chapter.

The shipping clerk's duties in connection with this particular shipment end when he checks up on the freight charges, and makes payment to the steamship company.

Advantages of Export Commission Houses

The export commission house is the intermediary between the source of supply and the market. A great percentage of American foreign trade is transacted through the export commission house. There is a reason. The export commission house is equipped to handle foreign business for American manufacturers. It has built up a selling machine in various foreign countries. It has gathered to its staff experts in buying and selling; experts in handling export documents; experts in preparing and financing shipments; experts who

understand the conditions in foreign countries, and who know the requirements and peculiarities of the different fields. Not only one, but any number of manufacturers may benefit from an organization of this sort, and yet avoid all responsibility and risk in shipping the goods to foreign countries. The export commission house is a professional salesman and distributor of American products. It is supposed to know its business. It has developed its business on the basis of its efficiency and success in the past. The manufacturer who is seeking a foreign market and yet hesitates against building an export department in his own organization naturally will look for somebody with a professional knowledge of selling in foreign markets. The export commission house supplies that knowledge.

Field of Commission Houses Is Limited

In the use of export commission houses for the development of foreign trade, however, it is necessary that the manufacturer proceed with caution. It must be remembered that export commission houses do not cover the entire world. Some commission houses dominate in certain fields, and some in others. No commission house is all powerful in every section in which it is established. Some houses dominate a certain field in the machinery line, others in textiles and still others in office supplies, etc. It would not be good business for a manufacturer to turn over an agency to a commission house without first inquiring into the situation in the countries in which he wishes to sell his goods. There is considerable truth in the statement that the great flood of criticism that has been directed against commission houses has been provoked from misunderstandings on the part of the manufacturer as to the exact functions that the commission house to which he has been attached can efficiently perform, and the facilities it can offer.

The commission house has its limitations. It cannot be expected to give the same thought and attention in the development of a market for a specific article that the manufacturer would naturally give owing to the various lines that it undertakes to handle. It must of necessity scatter its shot. Again, as an exclusive agent for an American manufacturer

it may not be able to induce certain dealers to buy the manufacturer's articles when others of a similar character may be purchased from other commission houses with which the dealer has transacted business for many years. Foreign buyers prefer to place their orders through one house in order to avoid considerable red tape. They do not like to scatter their indents. Therefore, if a manufacturer gives a commission house the exclusive agency in a certain field he merely narrows the market for his product.

Commission Houses Have Complaint

There has been considerable criticism on the part of commission houses against the demands made upon them by the manufacturers. It is claimed that the manufacturers refuse to extend adequate credits to the commission houses, which the latter often charge as being beyond reason. In his address before the Sixth National Foreign Trade Convention in Chicago, William H. Douglass, president of Arkell & Douglass of New York, had this to say: "The existing relationship between the manufacturer or supplier of goods and the exporter should be thoroughly gone into. It cannot be truthfully stated that it is overcordial today. This is due to the rules formulated by the manufacturers without regard to the interest or necessities of the exporter. Dealing with one alone, the payment system, all exporters will agree it weighs heavily on their shoulders. Manufacturers today have placed the export business entirely on a cash basis. They have a system of small discounts for cash, with payment at sight, five or ten days, and while they know that these discounts must be granted to the buyer abroad, they are indifferent to the position of the exporter, and do not wish to allow the specials if there is the slightest infringement of their payment dates. They sell in their domestic trade on long terms to parties frequently of little or no standing, dating their bills several months ahead and giving sixty to ninety days' time for payment; and yet they penalize the exporter by rules which require him to pay them generally long before he can ship the goods abroad; and, furthermore, they expect the buyer on his part to give credit abroad when he does not receive it at home."

Mr. Douglas clearly sums up the advantages of the commission house with the following statement: "As a result of the war, burdensome laws and restrictions will undoubtedly be established, and such laws already exist in South America and elsewhere. Preferential tariffs will be granted, partial or total exclusion of our goods may be adopted as a policy, or again rules may be established of such a restrictive character as to practically prevent the importation of our goods. Our merchants cannot controvert or change such regulations, as they are international questions; and our government must be alive and firm in preventing unjust and unfair discrimination by any nation against our commerce. American goods must have the open door on an equal basis with any other nation's goods to every country in the world.

"The powerful manufacturer who has handled export business for many years is, naturally, by acquired experience, able to take reasonable care of his interests, but to the thousands of smaller manufacturers who are now entering the field, it may be well to say there are many pitfalls, and great care should be used to take the right road. Exclusive agency arrangements either with American or foreign firms should be avoided unless the goods are of a character that require this means of exploitation. Hundreds of foreigners are touring the country, offering their services on a salary or a commission basis, claiming they can do wonders if given rights in their home countries; but it is well to avoid them, or at least satisfy yourselves as to their credentials. New companies with new connections abroad are willing to accept liberal retainers to try to do something which the manufacturer can better do himself, or arrange through those who have the proper status. Avoid too large a grant of territory abroad to any one house, as it it not desirable. Direct trade is unwise at first, if not always. Because travelers are sent abroad to introduce goods is not a reason why the business must be done direct, and not through the regular exporter. Cash for goods from the exporter is better than financing on the buyer thousands of miles away at 90 or 120 days. Drafts have an unfortunate way of coming back unpaid quite frequently."

Future of Export Commission Houses

It is doubtful if the export commission houses can ever be eliminated in foreign trade. As a matter of fact it is not desirable that such a vital machine to the development and extension of our foreign business be scrapped. The commission house will always be found in some region where it is unprofitable for the manufacturer to reach single handed. The commission house will always handle some products that will be more convenient for it to handle than any other agency. Mr. G. E. Smith, at one time president of the American Manufacturers' Association, in explaining the future of the export commission house before the Sixth National Foreign Trade Convention in Chicago said: "We can thank our export houses, with few exceptions, for whatever prestige American goods enjoyed in foreign markets before the war. They were the pioneers in finding a demand for our products and in meeting that demand where they found it. Our foreign trade in staple goods today is largely the result of earnest and effective work by these export houses, and I believe that a large field exists and will exist in which they will continue to handle business more efficiently and more intelligently than the producer himself.

"Outside of raw and semi-raw materials, however, the future of American foreign trade lies with her manufactured specialties. Machinery, special tools, labor-saving devices, the products of American ingenuity and American factories are destined, I believe, to form the great bulk of the new trade which awaits our exporters. And it seems to me to be a truism that abroad, as well as at home, no one can sell these products as well or as successfully as the man who makes them.

"The successful sale of these articles demands two things, which can only be afforded by the manufacturer himself. The first of these is the creation of an intelligent demand for the article. The second is provision for service after the article has been bought and is being used."

Chapter IX

FOREIGN SALES ORGANIZATIONS

Advantages of local foreign sales agent—Different functions of local foreign sales agents—Manufacturer's arrangements with local foreign sales agents—Foreign branches as selling agencies

The sales agent selling American merchandise in foreign countries apparently is an indispensable being. The number of these local foreign sales agents is gradually increasing as American manufacturers are spreading their activities to reach the most important sections of the world. These sales agents are not hard to find. They thrive in great numbers in the principal markets of the world and the records show that a great number of them have performed their functions with satisfaction.

The local foreign sales agent serves in the same capacity as the foreign branch office only he orders and sells on his own account, finances all orders and depends on the volume of the business he has worked up for his own profits. The agent's office or store serves as headquarters for stocks or spare parts so that customers may be given service in connection with their purchase of goods of a technical character. It is not uncommon for the sales agent to co-operate with the manufacturer in the promotion of the latter's products.

Advantages of Local Foreign Sales Agent

The manufacturer who sallies forth to conquer foreign markets may be able to cut his preliminary troubles in half by connecting with some responsible local foreign sales agent who may already have an adequate and well known organization in the field. Once the agent is given an exclusive contract his organization, which may extend to all parts of the

country in which he is located, starts working for the manufacturer at home, and his products. The success in the sale of his goods will depend very much on the co-operation that he extends to his representative in the field. A live agent, regardless of the number of non-competing lines he handles, may do wonders for his principal if the proper sort of co-operation is extended by the latter.

Needless to say, the skillful attention of a local sales agent is invaluable where personal attention of a scientific and technical character is involved. A manufacturer producing an article requiring mechanical knowledge would find it difficult to market it unless he were fully prepared to render a certain amount of service. No customer would want to wait from six to ten weeks for the shipment of an extra part of an article which he could not obtain in his own country. An agent well supplied with these spare parts can easily eliminate such delays.

Local Foreign Sales Agent May Develop Business

The local foreign sales agent—if he is a live one—can always be depended upon to take advantage of every opportunity to turn over a deal for his principal. He is in daily touch with conditions, with the launching of new enterprises of an industrial character, and with the activity of his competitors. As a salesman and a developer of new business he will never lose an opportunity to sell the goods for which he is the exclusive representative. Co-operating with the manufacturer he receives and distributes samples and catalogues and other literature that is aimed to advertise the line. The manufacturer's confidence in his foreign agent established, no time should be wasted in giving him full support in the development of business. The manufacturer should at all times co-operate to the fullest extent. He should consult with him on matters involving sales-promotion work. He should keep his agent well supplied with advertising literature to mail to prospective customers. An occasional visit on the part of the manufacturer or his representative should be made, if possible.

Sales Agent May Obtain Credit Data

The policy of appointing local foreign sales agents has an advantage also in the matter of obtaining credit information. A good sales agent keeps in close touch with the bankers of the community as well as with other commission agents, credit agencies and collection firms. Such information is occasionally asked of the sales agent. In exchange for this information the sales agent obtains a very good idea of the status of a great number of merchants, which is of inestimable value to the manufacturer.

Trying to settle some misunderstanding by mail involves considerable time and bother. Even if correspondence is resorted to there is the danger that the letter will be misunderstood, and instead of soothing the feelings of the man at the other end it is more than likely to increase the aggravation. There is nothing like having a good man on the ground to smooth over these matters and to adjust or compromise claims whenever they arise, or to obtain settlement from slow pays. A good agent is not only in a position to handle these delicate situations, but his personality may lead to the restoration of complete harmony between manufacturer and customer. This is something that a letter hardly ever does.

The Meaning of a "Del Credere" Agent

When a local foreign sales agent assumes part or all the risks involved in the selling of goods to local customers he is generally called a "del credere" agent. A "del credere" agent usually guarantees the payment of goods, but in return he may ask for a much larger commission, which is called a "del credere" commission.

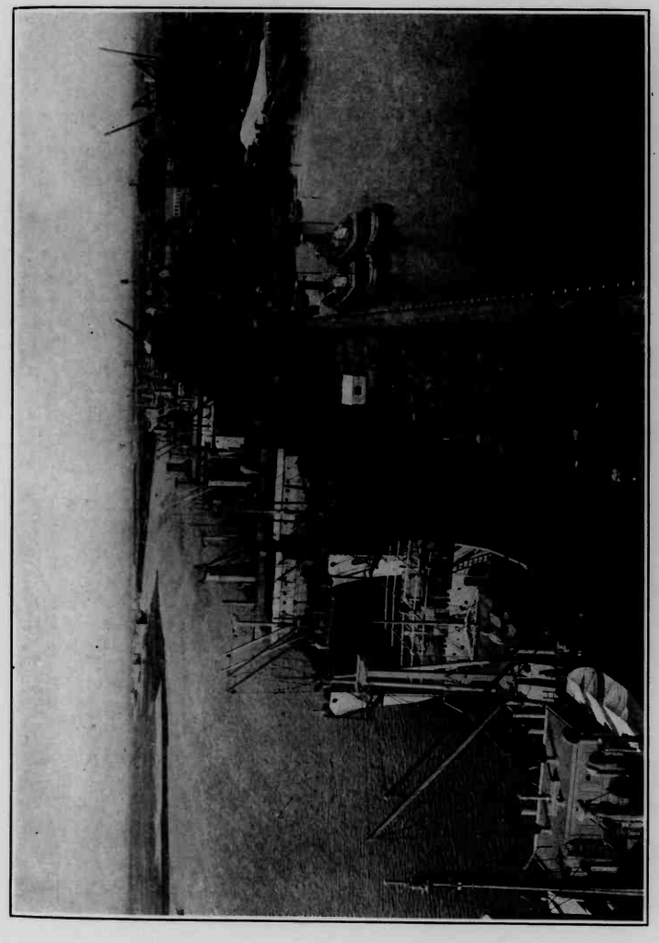
"In case of need" is a phrase used by manufacturers to notify bankers of the name and address of an agent at the other end who may be entrusted to take care of the manufacturer's interests in connection with protested drafts, or with the disposal of the goods to other merchants.

Merchant Agents
Sole Distributors

Sometimes a manufacturer may appoint a merchant as his sole distributor in a certain territory. The goods are actually sold to the merchant and he is ordinarily supposed to guarantee a certain volume of business in return for the exclusive rights for his territory. The advantages of having a merchant as sole distributor are many. The manufacturer will carry only one account on his books in this instance. He need not bother about credit risks in which many customers are involved. His risk is reduced to one account—that of the merchant. Again, the merchant may have developed a strong organization in his territory which will be of great value to the manufacturer. As a purchaser of the manufacturer's goods outright the merchant will show considerable interest in their sale. He must depend upon the turnover for his profits. There is this danger in the appointment of merchant agents as sole distributors, however: In a majority of cases the merchant agent's competitors conduct retail establishments, and he knows that he cannot sell his goods to these competitors. His field is narrowed. It is up to him, then, to find customers who are not attached to his wholesale competitors. The motives of a merchant agent should also be closely looked into. Often a merchant agent obtains the exclusive agency for an article merely to suppress it. This is done in order that other competitive lines for which he is sole agent and which offer larger sales or profits may have a clear field.

How Local Foreign Sales
Agents Are Selected

It has been remarked quite often that Americans only should be in charge of the foreign sales of an American manufacturer. The basis for this statement lies in the belief that foreigners are untrustworthy, and that they will always give the American article the worst of it when it is competing with an article made in some other favored country. There may be some cases where foreigners have endeavored to give the goods of their country every possible advantage over



A line of cargo carriers being equipped with engines at a shipyard in Newark Bay for participation in America's activities in Foreign Trade. America's future prosperity lies largely on the seas.

INTENTIONAL SECOND EXPOSURE

Merchant Agents
Sole Distributors

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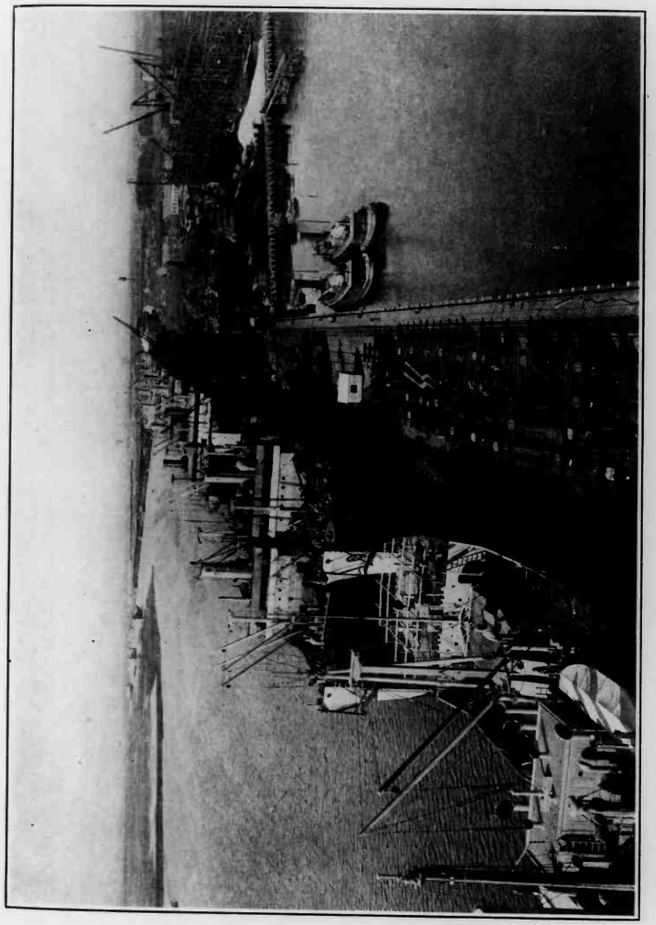

A line of cargo carriers being equipped with engines at a shipyard in Newark Bay for participation in America's activities in Foreign Trade. America's future prosperity lies largely on the seas.

American-made products, but this is the exception and not the rule. Foreign sales agents are out for the money as a general rule. If they can make more profits from the sale of an American product than they can from an article shipped from their native country they will take the agency of the former in preference to the latter. Too many cases are known where Germans have successfully acted as agents for English goods, and English for American goods, and even Japanese for American goods, to take such statements too seriously.

The first consideration in the selection of an agent is his character and reputation in the community in which he is doing business. As in the case of the traveling salesman, the customer judges the home office by the character of the representative in the field.

The fact that the agent has been long established and is a powerful factor in the market should not weigh too heavily in his favor. He may take the exclusive agency and give it mediocre attention, whereas a young institution desirous of growing may want that very article which the manufacturer offers to increase its business.

Manufacturers often entrust their traveling salesmen to appoint agents in the countries through which the former travel. These agents should be able to produce letters of recommendation from other manufacturers for whom they have operated, and other data as information for the manufacturer. The manufacturer must first satisfy himself that he can place implicit confidence in his foreign representative. Once having satisfied himself on this score, he must be prepared to extend all the co-operation that that confidence justifies.

Business Arrangements With Sales Agent

The contract with the local foreign sales agent should be prepared carefully. It should be carefully written so that disagreeable controversies may be avoided. The following points should be included in a contract with a local foreign sales agent: (a) Duties of agent; (b) authority; (c) terms upon which he is to do business for his principal; (d) to what extent is the principal liable and responsible? (e) the territory

over which agent shall exercise the exclusive rights to sell the manufacturer's article; (f) duration of the contract; (g) the rate of commission and how it shall be applied; (h) terms of settlement on commissions; (i) the amount of business required to avoid cancellation; (j) agreement not to handle competitive lines.

The foregoing are some of the salient features that should be included in a contract with a local foreign sales agent. In order to make it more forceful the contract should be officially executed and attested. The consul of the country in which the manufacturer is to do business should witness the principal's signature. On the other hand, the American consul in the foreign country should perform similar service for the agent.

One clause in the contract should receive careful attention. This clause refers to the assignment of territory. A manufacturer who does not know geography may sign away the sales rights to an entire continent. An agent in Santiago, Chile, may obtain the exclusive sales rights for Argentina and Brazil from a manufacturer who is not familiar with the great distances involved in those countries. Territory should always be limited to a certain line.

The commission given to a sales agent depends on the line as a general rule. Commissions may be as low as 1 per cent. or as high as 25 per cent. The commission figure is determined by the manufacturer himself. Time of payment also varies. There are no set rules. The manufacturer should see that the sales agent receives all commissions arising from the sale of goods in his territory in accordance with the terms of the contract. It is important, therefore, that the manufacturer should know where goods purchased by commission houses are bound for in order that he may give proper credit and protection to his sales agent on the field.

Foreign Branches as Selling Agencies

A foreign branch may be merely a selling agency or it may be a merchant handling a large stock of goods. The establishment of a foreign branch requires delicate handling. Bitter opposition from old merchants is likely to be encountered,

and in order to reduce this to a minimum it is necessary to use tact and diplomacy. Intelligently operated, the branch can be made a success.

When the selling agency begins to stock up with goods from the home factory it offers a service that its customers are likely to appreciate. An immediate supply of goods removes long delays encountered in ordering and awaiting shipments from the source of supply. Often an importer prefers to buy an inferior article at home rather than to take the trouble of sending for it thousands of miles away. The foreign branch, by handling large stocks, relieves him of this trouble.

It must be remembered, however, that the foreign branch is an expensive proposition when it is carrying stocks. Overhead expenses may be high. Interest in the investment must be considered, and doing business in a foreign country is likely to run up miscellaneous costs. It must be remembered, also, that foreign branches are subject to the laws of the country in which they are operating. They must take out licenses, and be prepared to pay the regular taxes, which may come high in some instances.

Combination branch offices have been tried with considerable success. Failures have been due to the unintelligent selection of the personnel to conduct these combinations as well as to the petty jealousies and desires on the part of the member manufacturers to dictate the policy of the combination. Quite often a manufacturer feels that he is not getting enough out of the combination in proportion to his expenses in the upkeep, so he decides to drop out. It seems obvious, however, that in order to obtain permanent success some genius must evolve a working plan that will satisfy the desires of all those who subscribe to the combination. As far as is known such plan has not as yet been developed so as to meet all these requirements.

Chapter X

COMBINATIONS IN FOREIGN TRADE.

THE WEBB-POMERENE LAW—CRITICISM AND DEFENSE OF WEBB-POMERENE LAW—PROVISIONS OF THE MEASURE—HOW COMBINATIONS ARE MADE UNDER THE WEBB-POMERENE LAW.

The Webb-Pomerene Law, approved April 10, 1918, permits combinations in export trade. In the words of a critic the law permits "our manufacturers to do to a foreign consumer who has no vote in our affairs what cannot be done to the people of the United States, whose constitutional rights enable them effectively to express their approval or displeasure." On the other hand a champion of the measure declares that "the essential object of this law is to give American exporters a fair chance to compete with the exporters of other countries by enabling them to reduce expenses of marketing, thus permitting the quotation of such prices in foreign countries as will make American products attractive to the consumer."

It will be remembered that the law caused considerable concern in foreign countries when it was enacted, and fears were expressed on all sides that it was probably an "American device to control the world's markets at their own prices." While the provisions of the law are aimed to check unfair methods and abuse in foreign markets, it will be necessary, however, to prove that it is simply an instrument to assist American manufacturers in developing foreign business along legitimate lines, and not a tool to destroy legitimate competition. The burden of proof rests with those manufacturers who operate in foreign countries under the provisions of the Webb-Pomerene Law.

In this connection it is well to remember that the great bulk of our American foreign trade has been built by individual effort—by individual export houses and manufacturers. While these merchants have often encountered problems and disadvantages of one kind or another in the different markets,

nevertheless, by sheer force of initiative and enterprise, they have been able to overcome these obstacles without the necessity of combining along gigantic proportions. The statistics of our foreign commerce prove this statement.

The chief advantage of the Webb-Pomerene law, it seems, is to permit small manufacturers who are unable to competently develop the foreign market to combine for such purposes and to be able to sell at such prices that will meet the competition of other foreign merchants. If this is the real purpose of the law then there should be no justification in the criticisms against it.

Two Opposite Views on the Webb-Pomerene Law

It is interesting to read two very recent statements in connection with the operation of the Webb-Pomerene law that appeared in the New York Journal of Commerce. One is from an Australian business man complaining against the law and the other is from an American export man defending its provisions.

The name of the foreign critic of the law is Mr. William Lewis of Sydney, N. S. W., and he writes as follows:

"The people in this country (Australia) are not disposed to view with equanimity the possible effect of the operation of the Webb-Pomerene Act, now operative in America.

"Right or wrong, an impression exists in this country that the purpose of this bill is to legalize, for the exploitation of commercial fields outside of the United States, practices and methods which the United States Government has deemed it necessary to suppress within its own borders, as being inimical to the public welfare.

"Competitive business enterprise is commendable, and to an enlightened country such as Australia, welcome. But when that enterprise, instead of being competitive, merges into a powerful combination with the express purpose of exploiting and capturing the Australian market, welcome quickly changes to resentment.

"I have before me the letterhead of one of the smaller recent American combinations. After naming the coalesced companies, it ends with the sentence: 'Combined capital twelve mil-

lion dollars.' This has an unpleasant sound, savoring of a threat. It is not agreeable to be asked to choose between the rattling of the Prussian sabre and the American cash box.

"Australia, in common with every member of the British Empire, more firmly welded than ever before, holds a powerful weapon in reserve which she may be forced to use without scruple and which she can so use without the slightest breach of international law.

"Suppose, for instance, that the American manufacturers of cotton piece goods, one of England's most important industries, taking advantage of the Webb measure, enter into a powerful combination, controlling hundreds of millions of capital. Basing their expectations of business in this country on the fact that the present British preferential tariff in Australia is practically negligible, they establish central offices in Sydney. Instructions to the general manager from the board of directors in New York are to the effect that he is to meet and beat competition from whatever source. Such methods, carried to their legitimate conclusion, would mean the complete extinction of British trade in cotton piece goods so far as Australia is concerned. This will never be allowed to happen.

"In the event of such a happening the immediate and practical reply will be the possible duty of 50 per cent. from any and all countries outside the British Empire; from all countries constituting the British Empire, either free or a tariff for revenue only. Under these new conditions the Sydney office of the American cotton piece goods combine, if it ever opened, would close within a month.

"I am, perhaps, to some extent qualified to speak impartially, since, though English by birth and parentage, I have for many years represented American manufacturers in Australia."

W. H. Mahoney Answers Criticism

In answering Mr. Lewis's criticisms Mr. W. H. Mahoney, manager of the Foreign Trade Bureau of the Merchants' Association of New York, said:

"When the Webb-Pomerene bill first became law some such opposition was sounded at Buenos Aires as is now voiced in Australia in the protest which was published in the New York Journal of Commerce from Sydney, but when the question came to be thoroughly understood it died down.

"Only the other day I had a business man in from Australia who is interested in the paper industry. He did not appear to be frightened by the Webb law and he said he was going right ahead with his plans for the sending of paper from this country to Australia. I am inclined to think that there may be some merchants over there who may be unduly alarmed. I can hardly believe that it is the general feeling of business in Australia, but rather that of individual firms.

"As for the threat of imposing heavy preferential duties to offset the supposed effect of the Webb law, why, that would be nothing new. Preference duties have already been decided upon and were agreed to at a conference in London when the Colonial representatives were present.

"Besides, there is another aspect to the question. If under the combinations effected of small traders whereby they can economize by sharing their advertising, shipping and overhead charges—for that was what is really intended—it puts them in a position to compete for trade by supplying goods at a lower rate than others, it will be the Australian people or consumers who will get the benefit of it. The intention of the competition is not to strangle trade elsewhere but to compete fairly for it.

"As I understand it in my talks with exporters, it is not Australia that is going to suffer from the Webb law or is going to be affected to any large extent, as the industries under which there is a combination where business is done with the Commonwealth are very few."

Combinations Must Obey Webb-Pomerene Law

In his remarks on the Webb-Pomerene law before the Sixth National Foreign Trade Council John Walsh, former chief counsel of the Federal Trade Commission pointed out the necessity of combinations engaged in developing foreign trade to follow the straight and narrow path, in the following sentence:

"The ultimate success or failure rests very largely on our

own business men. If the law is to serve as a vehicle for commercial aggrandizement, to benefit the strong at the expense of the weak; or if it is to be used for selfish and unscrupulous exploitation of foreign markets, or for the purpose of manipulating domestic prices, then the expectations of the high-minded and broad visioned men who were its sponsors would be shamefully thwarted and foiled.

"I believe that neither the American public nor foreign nations would allow their respective public interest to be in any way detrimentally affected by any unfair and questionable commercial trade practices of an association operating under the Webb act.

"And besides, let us not forget that the Webb act has teeth in it. Under its provisions the remedies in Section Five of the Federal Trade Commission act against unfair methods of competition are made to extend to unfair methods of competition used in export trade against competitors engaged in export trade, even though the acts constituting such unfair methods are done without the jurisdiction of the United States.

"Under the Webb act the United States Government declares itself in unmistakable terms as insisting on fair and honorable business methods in export trade."

The popularity of this new method of developing foreign business by combinations is indicated in reliable reports to the effect that over 80 concerns are already engaged in operating in foreign countries under the provisions of the Webb act. The law has been in operation hardly over a year. Export associations have been formed in a variety of industries, including silks, chemicals, copper, textiles, hardware, lumber and others. Small as well as large associations have been formed.

Provisions of the Webb-Pomerene Law

The entire text of the Webb-Pomerene law is herewith quoted:

"An Act to promote export trade, and for other purposes.

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the words 'export trade' wherever used in this Act mean

solely trade or commerce in goods, wares, or merchandise exported, or in the course of being exported from the United States or any Territory thereof to any foreign nation; but the words 'export trade' shall not be deemed to include the production, manufacture, or selling for consumption or resale, within the United States or any Territory thereof, of such goods, wares, or merchandise, or any act in the course of such production, manufacture, or selling for consumption or resale.

"That the words 'trade within the United States' wherever used in this Act mean trade or commerce among the several States or in any Territory of the United States, or in the District of Columbia, or between any such Territory and another, or between any such Territory and Territories and any State or States or the District of Columbia, or between the District of Columbia and any State or States.

"That the word "association" wherever used in this Act means any corporation or combination, by contract or otherwise, of two or more persons, partnerships, or corporations.

"Section 2. That nothing contained in the Act entitled "An Act to protect trade and commerce against unlawful restraints and monopolies," approved July 2nd, 1890, shall be construed as declaring to be illegal an association entered into for the sole purpose of engaging in export trade and actually engaged solely in such export trade, or an agreement made or act done in the course of export trade by such association, provided such association, agreement, or act is not in restraint of trade within the United States, and is not in restraint of the export trade of any domestic competitor of such association; and provided further, that such association does not, either in the United States or elsewhere, enter into any agreement, understanding, or conspiracy, or do any act which artificially or intentionally enhances or depresses prices within the United States of commodities of the class exported by such association or which substantially lessens competition within the United States or otherwise restrains trade therein.

"Section 3. That nothing contained in Section Seven of the Act entitled "An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes, approved October 15th, 1914, shall be construed to forbid the

acquisition or ownership by any corporation of the whole or any part of the stock or other capital of any corporation organized solely for the purpose of engaging in export trade, and actually engaged solely in such export trade, unless the effect of such acquisition or ownership may be to restrain trade or substantially lessen competition within the United States.

"Section 4. That the prohibition against "unfair methods of competition" and the remedies provided for enforcing said prohibition contained in the Act entitled "An Act to create a Federal Trade Commission, to define its powers and duties, and for other purposes," approved September 26, 1914, shall be construed as extending to unfair methods of competition used in export trade against competitors engaged in export trade, even though the Acts constituting such unfair methods are done without the territorial jurisdiction of the United States.

"Section 5. That every association now engaged solely in export trade, within 60 days after the passage of this Act, and every association entered into hereafter which engages solely in export trade, within 30 days after its creation, shall file with the Federal Trade Commission a verified written statement setting forth the location of its offices, or places of business, and the names and addresses of all its officers, and of all its stock holders or members, and if a corporation, a copy of its certificate or articles of incorporation and by-laws, and if unincorporated, a copy of its articles or contract of association, and on the first day of January of each year thereafter, it shall make a like statement of the location of its offices or places of business and the names and addresses of all its officers and of all its stockholders or members and of all amendments to and changes in its articles or certificate of incorporation or in its articles or contract of association. It shall also furnish to the Commission such information as the Commission may require as to its organization, business, conduct, practices, management and relation to other associations, corporations, partnerships, and individuals. Any association which shall fail so to do shall not have the benefit of the provisions of section two and section three of this Act, and it shall also forfeit to the United States the sum of $100 for each and every day of

the continuance of such failure, which forfeiture shall be payable into the Treasury of the United States, and shall be recoverable in a civil suit in the name of the United States brought in the district where the association has its principal office, or in any district in which it shall do business. It shall be the duty of the various district attorneys, under the direction of the Attorney-General of the United States, to prosecute for the recovery of the forfeiture. The costs and expenses of such prosecution shall be paid out of the appropriation for the expenses of the courts of the United States.

"Whenever the Federal Trade Commission shall have reason to believe that an association or any agreement made or act done by such association is in restraint of trade within the United States or in restraint of the export trade of any domestic competitor of such association, or that an association either in the United States or elsewhere has entered into any agreement, understanding, or conspiracy, or done any act which artificially enhances or depresses prices within the United States of commodities of the class exported by such association or which substantially lessens competition within the United States or otherwise lessens trade therein, it shall summon such association, its officers, and agents to appear before it, and thereafter conduct an investigation into the alleged violations of law. Upon investigation, if it shall conclude that the law has been violated, it may make to such association recommendations for the readjustment of its business, in order that it may thereafter maintain its organization and management and conduct its business in accordance with law. If such association fails to comply with the recommendations of the Federal Trade Commission, said Commission shall refer its findings and recommendations to the Attorney-General of the United States for such action thereon as he may deem proper.

"For the purpose of enforcing these provisions the Federal Trade Commission shall have all the powers, so far as applicable, given it in "An Act to create a Federal Trade Commission, to define its powers and duties, and for other purposes." Approved April 10, 1918."

Summarized, the advantages to be derived from the Webb-Pomerene law are as follows:

(a) Combination produces economies in production and distribution.

(b) Standardization of products results in greater economies of production.

(c) Standardization would improve the quality of merchandise, and enhance the value of American goods overseas.

(d) Combination would eliminate waste by an intelligent distribution of orders to factories best fitted to turn them out.

(e) Combination would mean specialization and thus lower costs.

(f) The greatest saving of all would be the elimination of duplication of selling organizations, warehouses, branch offices, advertising, etc.

(g) Economies in shipment would be effected.

(h) Combinations would be able to develop foreign markets with the highest degree of efficiency, and the maximum results at minimum costs to participants.

(l) The financing of foreign sales and the obtaining of credit information would be facilitated.

Combinations as Necessity of Meeting Foreign Competition

Is it necessary to combine in the United States in order to meet foreign competition abroad?

In view of our successes in the foreign field in the past—and this means our successes with manufactured articles as well as with our raw materials—it would seem that declarations of the necessity of combining to meet the cut prices of our most dangerous competitors overseas are a bit far-fetched. Not long ago a well-known exporter who understands foreign trade as well, perhaps, as anyone else in America, said that the results promised under the provisions of the Webb-Pomerene Act were being exaggerated.

"I don't quite understand why there is so much enthusiasm over this measure," he said. "It would seem that American manufacturers have never had a show in foreign markets until this law came into effect to show them the way to the promised land. Personally, I believe it will do some good in some quarters—in places where basic materials are involved in sales abroad. There is no question that there would be an economic saving in this respect. But where we are hunting

for markets in foreign countries for our typewriters, our automobiles, our sewing machines, our stationery, and hundreds of other manufactured articles, I am afraid that the combination will serve as a hindrance instead of an advantage. Why? Because these manufactured articles I have just mentioned need specialized selling effort, and that is practically impossible under huge combinations such as the Webb-Pomerene Act permits. It means lost identity of an article."

Combinations in Foreign Countries

The combination idea seems to have had its growth in Europe. Before the war export combinations were quite common in the principal countries of Europe, and seemed to have reached the highest point of efficiency in Germany, where the "cartel" system was one of the principal factors that made German foreign trade what it was up to the few months preceding the great war that shattered her commerce. In this country there were 600 important cartels, embracing every important industry in the country. In some instances, however, these cartels were not created primarily to meet competition of other foreign countries in overseas business, but to stifle competition at home, and to control the market. An instance of this policy is shown in the great German dye-color industry operated as a unit in foreign trade under an agreement by two powerful concerns working under a fifty year contract not to compete against each other. Other gigantic combinations were to be found in the electrical equipment industry, the coal and coke industry, and the iron and steel industry, the products of which were sold through great centralized selling agencies to all parts of the world.

Other Nations Have Great Combinations for Export

Nor was Germany alone in this policy of combining to efficiently develop and sell products in foreign countries. We find gigantic syndicates in France, Belgium, Italy, Russia, Austria, Switzerland, Sweden and Greece. In South America in certain countries we find producers united in joint selling agencies to control the market, probably to stifle competition and to efficiently sell goods in foreign countries.

Japan has a textile organization that is developing and ob-

taining the cotton goods trade of North China. A "tea council" controls the tea trade of that country. Other industries in Japan are rapidly falling in line to combine, and they have not only the approval of the Government but its actual support.

England has not committed itself to the policy of organizing powerful combinations for foreign trade as strongly as other nations. One reason is because the United Kingdom has been able to develop excellent markets for its manufactured product in all corners of the earth. Her most excellent selling methods, her great chain of branch banks, combined with the most efficient merchant marine in the world, have given that country an advantage that relieved her of the necessity of creating "cartels" to obtain new business.

In spite of this tremendous trade that has been developed by Great Britain in foreign countries we find her, nevertheless, engaged in combining to market certain basic products for overseas sales. England's coal, for instance, is marketed in South America and other parts of the world through central selling agencies in which producing companies, selling companies, steamship lines and foreign distributing companies coordinate their efforts. This policy is followed in the cement trade as well. Since the end of the Great War, however, Great Britain has taken rapid strides in the further development of the combination or "cartel" idea, and is expected to take a prominent part in the regaining of her immense trade, which she temporarily lost during the strife in Europe.

Combinations Must Compete With Combinations

The outgrowth of this combination idea all over the world will mean that the United States will be forced, whether she likes it or not, to meet the plans of her competitors in the most efficient and intelligent form that legal means will justify. The Webb-Pomerene Act grants the American manufacturer or exporter adequate power to cope with our trade rivals. In the language of the Federal Trade Commission: "If Americans are to enter the markets of the world on more nearly equal terms with their organized competitors and their organized customers, and if small American producers and manufacturers are to engage in export trade on profitable terms, they must be free to unite their efforts.

"Without any export organization foodstuffs and raw materials can readily be sold at some price, but to avoid needless expense in distribution, to meet formidable foreign buying agencies, and to insure profitable export prices, co-operation among American producers of such commodities is desirable.

"In the sale of factory products co-operation is even more desirable. Such goods must be advertised, demonstrated, and a market created abroad, often in the face of the keenest competition from great combinations of foreign manufacturers. Obviously, only strong organizations can undertake this contest. If groups of American manufacturers and producers, either of competing or non-competing goods, can combine their efforts they can share the cost of developing new markets, establish themselves firmly, extend credit more readily to foreign customers, and compete more successfully with foreign syndicates and cartels."

How German Cartel System Was Developed

It will be necessary to briefly review the German "cartel" system as an illustration of the extent to which this policy grew. Germany is taken as an illustration merely because combinations were more fully developed there than in any other country.

A German writer says cartels are "associations, founded by contract for certain periods of time, of independent enterprises belonging to kindred branches of industry or of branches of industry with nearly identical interests, the individual members of the association retaining their independence but joining for the purpose of regulating production and sales according to common points of view and in the common interest."

This definition practically covers American combinations under the Webb-Pomerene Act.

A distinction between a trust and a cartel must be drawn, however. Cartels are not permanent. Members can withdraw and recover their complete independence if they choose. In a trust, such as it is known in America, there is centralized authority in a single organization, and it is permanent. A

trust is not a combination of corporations, but a single corporation in itself.

The growth of the cartel system in Germany is reflected in statistics issued in that country in 1903, showing that there were 385 cartels at that time doing business in Germany, which were distributed among the different industries as follows:

	Cartels		Cartels
Coal	19	Glass	10
Iron	62	Bricks	132
Metals (excluding Iron)	11	Stones, earths	27
Chemicals	46	Clay	4
Textiles	31	Foodstuffs	17
Leather, rubber	6	Electrical	2
Wood	5	Others	7
Paper	6		

These 385 cartels represented 12,000 plants, and the mining and chemical industries ranked first.

They grew in number rapidly, and in 1911 they were estimated to have reached a total of 600 in Germany.

How German Banks Helped the Cartels

The methods employed by the great German banks in aiding these cartels is told by the Federal Trade Commission as follows:

"The large German banks have played a potent part in the development of cartels and combinations, particularly in the mining, the iron and steel, the electrical, the potash, and the chemical industries. The four great Berlin banks, viz., the Deutsche Bank, the Dresdener Bank, the Darmstadter Bank, and the Disconto-Gesellschaft, dominated the German banking world. Until recently there was a fifth, the A. Schaaffhausen'scher Bankverein, now absorbed by the Disconto. The A. Schaaffhausen'scher Bankverein was formerly particularly active in organizing cartels, and maintained a special organization, the "Syndikatskontor d. A. Schaaffhausen'scher Bankvereins G. M. B. H. to act as selling agency and clearing house for industrial combines. With their extensive system of directors among industrials and with their participation in financing such enterprises, the great banks have been able strongly to influence German industry, and they have used this influence to eliminate competition and to encourage concentration.

"Thus the German electrical industry, a debtor industry, has been dependent at all times upon the co-operation of banks in its development and concentration. The widely ramified organization of investing, operating, and subsidiary companies of all kinds within the two groups that dominate the German electrical industry has been developed and prompted largely by banks interested in the various companies and backing these two great groups. In the metal trades the Metallgesellschaft, of Frankfort on the Main, in which the Merton interests are centered, has built up and controls its world wide business enterprises through a number of financial institutions, banks, or holding companies in different countries. These have been organized for the special purpose of obtaining outside and foreign capital. For investment in new mining and similar enterprises and to maintain control over them through majority stock ownership. The potash industry offers another good example of the potent influence of banks and fostering combinations."

Different Kinds of German Cartels

German cartels may be divided into the following classes:

(a) Agreements covering selling terms, so-called "Konditionen" cartels.

(b) Price cartels.

(c) Selling cartels or syndicates.

Cartels in which agreements are made as to selling terms:

These cartels represent the lowest form of cartel organization. Under this form agreements as to payments, conditions of sale, and handling of samples are made.

Price cartels:

Cartels of this character are organized purely to influence prices without centralizing sales or purchases. Price cartels are the most numerous, each having distinct methods of doing business.

Syndicates or selling cartels:

These are the most highly developed of the German cartels, having the most rigid and centralized organization. The merchandise of those belonging to the cartel is disposed through a central selling agency.

These German cartels extended their activities into foreign

countries, using selling agencies through which to place their wares. Through these selling agencies prices were fixed, combined advertising campaigns were planned, and development of territory undertaken. Operating with banks, these cartels were enabled to obtain invaluable trade data such as credit information, business conditions—all of which activities were principal factors in the building up of Germany's foreign trade before the war.

Instances are known where manufacturers producing noncompeting but kindred articles have combined together for developing of foreign markets. This policy was adopted in the South American and Chinese trade with great results. German cartels representing the electrical industry were very active in Latin America before the war. Entire power plants were developed, equipped, financed, and even operated by German cartels. In China the same policy is said to have been pursued with respect to mines. Competitors of foreign countries who found themselves representing single lines found it difficult to compete with the Germans, who offered to undertake a whole job for the Chinese. The rapid development of trade in China and South America is due to the efforts of German industry under the cartel system.

How Foreign Combinations Affect American Commerce

What effect foreign combinations have on our export trade is told by the Federal Trade Commission in strengthening its position that American combinations under the Webb-Pomerene Act are necessary to combat competition overseas:

"The greater part of American export trade has been with European nations," says the Commission. "When American manufacturers and producers are exporting to any of these countries they must meet powerful combinations of producers and dealers there. Some of these combinations are international and own or control, among others, American producing companies. They now have in this country oil wells, coal and metal mines, smelters, refineries, and mills. This makes it more difficult to compete with them in the European markets. In other cases American manufacturers and producers must

deal with combinations among the European buyers of their products. In a few American industries, such as petroleum, steel, and farm machinery, powerful single organizations are equipped to meet foreign combinations on substantially equal terms. But even in these industries, as well as in those where no single concern towers above its fellows, there are numerous small and moderate-sized producers who act separately in conducting their export business. It thus results from the conditions of the organization of industry abroad and at home that in the great foreign commercial countries American companies must often compete separately against combinations of foreign producers and must often sell separately to combinations of foreign buyers.

"This condition is repeated when American and foreign manufacturers compete in the markets of countries alien to both, as when American manufacturers compete with German or English in South America. Here, again, individual American exporters must encounter the united opposition of foreign manufacturers in many important lines of trade. In fact, special cartels and syndicates are often formed in European countries expressly for export trade. The combinations can afford long and costly campaigns to gain foreign markets, and they can gain favorable terms to purchasers. Moreover, the chief foreign trading nations not only have a distinct advantage over the United States in ocean shipping under their own flags, better foreign-trade banking and credit organizations, and greater investments in less developed parts of the world, but also it is their policy to unite these various interests with their industrial combinations into mose effective organizations for the vigorous promotion of export business.

"These are the salient facts concerning the character and prevalence of cooperation and combination among foreign manufacturers, producers, and dealers. Foreign concerns cooperate in both home and export trade to a greater extent than American concerns do. The advantage and necessity of preventing such combinations in the American domestic trade is fully recognized by the Commission, but the export trade presents, in its opinion, a different problem.

"It is apparent from this statement of the character of the

business organization which Americans must compete against in foreign markets that this country's organization for export trade must be strengthened if its manufacturers and producers are to compete on more nearly equal terms in the commerce of the world. Obviously, most of the individual American exporters, handicapped by dependence upon foreign shipping and foreign financial institutions, and forced single-handed to oppose united foreign competitors, are at a material disadvantage. In international trade the competitive conditions have been largely in favor of the foreign concerns, particularly when opposed by the smaller American exporters. Co-operation solely for export business will go far to permit the development of stronger American organizations, and may be particularly advantageous to smaller concerns. The need of such concerted action is clearer when the character of the export trade of the United States is understood. Under normal conditions about two-thirds of its exports have been foodstuffs and materials for use in manufacturing—such commodities as grain, flour, meats, cotton, copper, oil, coal, etc.; and one-third of its exports have been manufactured articles ready for use, such as machinery of all kinds, electrical goods, automobiles, boots and shoes, wearing apparel, cloths, medicines, drugs, paints, varnishes, etc.

"The marketing of these two broad classes of products in foreign trade present very different problems. Many foodstuffs and materials for manufacture, such as grain, copper, cotton, etc., will sell themselves at some price, usually at a price broadly established in competitive world markets. Developing export business in these commodities is comparatively simple. There is often no need of creating a demand. With this class of business the problem is greatly one of obtaining a more efficient system of selling, and partly one of protecting our producers against combinations of foreign buyers. At present, one of the most practicable means for obtaining these results is co-operation among American producers.

"In the case of finished manufactured articles, the problem is generally more difficult. In the factory products, both staple and special, the manufacturer must often create the demand for his particular goods. While it is not to be forgotten that cheapness and quality of product are necessary, organization for selling is also essential.

"To the producer of specialties, however, co-operation in export trade does not offer such great advantages as to the producer of staples. Absence of standardization is in the way of its effective working and the field of foreign markets is far more open and free to specialties than to staples. In some lines American concerns making specialties have established their products in a world-wide way and are ahead of competitors from other countries. While, therefore, producers of specialties have to create their own market, many of them feel that they can do this to better advantage individually. Some of those who have not yet established themselves in all their markets, or who are but beginning their campaigns, favor co-operation, but what they wish is co-operation with manufacturers of allied lines rather than with competitors.

"To the producer of staples, the foreign manufacturer or combination making the same line offers the most determined competition. To establish the American goods requires strong, practical selling campaigns. Not only must the customer be persuaded to prefer the American manufactured article but sales must often be supplemented by the establishment of local warehouses that will insure a prompt supply and the customer must be given ample assurance that he can continue to get the same goods year after year. Moreover, this demand must be created in distant countries. In face of determined and skillful opposition from competing foreign manufacturers united in powerful combinations, this is a most difficult undertaking. It is among American manufacturers of staples, therefore, particularly the smaller concerns, that co-operation for export business is especially needed. It will permit them to create organizations which can compete on more equal terms with the organizations of their foreign rivals. They can afford, then, to advertise, to study foreign demands and customs, to make demonstrations, to open branches, warehouses, and stores abroad, to collect credit information, and to extend credit, to employ skilled salesmen familiar with foreign markets, and to maintain a direct representation of their own which will be firmly established and effective in the markets

to be covered. The expense of such promotion will not be excessive when shared by a number of participants.

"In many lines of manufacture the export commission houses and the export merchants are undoubtedly the best agencies by which goods can be placed in foreign markets. These firms have played a great part in the development of American trade in manufactured goods, and their function and their value in this respect should not be forgotten or underrated. But to many of the demands of international trade in such goods they are inadequate. Frequently such articles require highly specialized technical training on the part of salesmen. In other cases long and expensive introductory work must be done to create a market. Export commission firms and export merchants are far less disposed to spend money and energy in such work than are the manufacturers whose continued prosperity depends upon the creation of markets for their goods. The commission house and the export merchant handle dozens of different lines of manufactures. Their profits come from the total business, and it is the total with which they are chiefly concerned. But the manufacturer is interested in a single line of products. He concentrates his effort on the creation of business for that line, and he is much more resolute in the matter than any intermediary who has no capital invested in manufacturing plants and equipment.

"In domestic business, competition, independence, and the play of individual forces is the settled policy of this country. The law requires that this shall be the condition of business here. Abroad the legal conditions are different. In many countries combination is permitted and in some it is even encouraged. What is equality of opportunity for manufacturers within this country, therefore, becomes inequality and disadvantage for them when they undertake to export to other countries."

How Combinations Are Made Under Webb Law

The chief problem in combining under the Webb act seems to be that of obtaining the centralization with the least loss of individuality and independence on the part of those concerns entering the association. This apparently is a problem

which must be left to the solution of individual industries and groups.

Mr. Gilbert H. Montague, of the New York Bar, who was counsel to the special committee of the American Manufacturers Export Association in support of the Webb law, in analyzing the measure in a brochure for the Guaranty Trust Company of New York City, gives the following example of how various concerns met these problems:

"Such export trade as there was, in a certain American industry," says Mr. Montague, "had been confined to several large concerns represented abroad by branch houses or export houses.

"Upon the return of normal conditions, it seemed certain that general over-production would exist through the industry at home, while abroad an active and constant demand would, in all probability, be resumed in various markets at prices, and for grades on which many concerns in the industry would then be glad to quote. The handful of concerns already selling abroad were as yet unwilling to alter their existing relations with branch houses and export houses. They would, however, make with any joint selling organization comprising the rest of the industry, satisfactory arrangements regarding prices to foreign buyers, or terms of export sales, or credits to foreign customers, or grades of export products, or other subjects of common interest. A man experienced in the industry, and acquainted with conditions in foreign markets, could be engaged for a reasonable salary and a fair bonus arrangement as general manager of a joint selling organization. With him, and with one or two banks familiar with conditions in foreign markets, plans had been worked out for financing the sales abroad, and for financing the purchases at home, and for a schedule of credits for sales abroad and for purchases at home, and for opening sales branches beginning sales promotion in several selected foreign markets. From this, and from an estimate of prospective operating expenses, a budget had been worked out of the probable financial requirements of the joint selling organization. With the banking accommodation that seemed reasonably assured, and with an ample margin of safey, an initial investment of $200,000 seemed sufficient to start the organization.

How Corporation Was Organized

"A corporation was finally determined upon to be organized under the laws of one of the eastern states, with the purposes carefully limited to those permitted by the Webb-Pomerene Law, and with capital stock consisting of 5,000 preferred shares and 5,000 common shares, the preferred shares to be eight per cent per annum, cumulative, par value $100 each, to be all issued at organization, on which $40 per share was to be paid up and $60 per share was to be subject to call, the common shares to be without nominal or par value, to be issued only as bonus, share for share, with subscriptions for preferred shares, and only to concerns actually participating in the joint selling arrangement. No participating concern was to have more than one vote, and each was to be represented upon the Board of Directors, whose powers, when not in session, were to be vested in a small executive Committee.

"Each participating concern was to execute an agreement with the corporation, constituting the latter exclusive agent of the former, for the sale of the former's entire export product during the life of the agreement. This export product was to amount to a specified percentage of the participating concern's output, consisting of specified grades and quantities. The corporation was to fix the prices at which it should sell the export product, and bill and collect therefor in its own name. The participating concern was to standardize, label, mark, pack, and ship its export product as directed by the corporation, and was to protect the latter in respect of all claims by purchasers. The participating concern was to bear all freight and other charges to the seaboard, but the corporation was to bear all freight and other charges beyond the seaboard, and all selling expenses of the corporation. For export products which the participating concern furnished the corporation, the participating concern was to be credited upon the basis of prices arrived at by one of a variety of ways. Thus, the corporation might take from each participating concern an option for a specified period, upon specified grades and quantities upon specified prices. Again, whenever the corporation desired to quote upon a prospective order, it might communicate with each participating concern, and fill the order from which every participating concern named the lowest price. As compensation for its services, the corporation was to receive and retain the excess of the export price at which it should sell such product over and above the price at which it purchased from the participating concern. The corporation was to settle with the participating concern for each shipment within thirty days, less two per cent discount in ten days. Out of the aggregate profits realized on the operations of the corporation, the corporation was to retain an amount sufficient to pay cumulative dividends at the rate of eight per centum per annum on its preferred shares, and also such amount as the Board of Directors should deem proper for reserves. Out of any balance remaining the corporation was to grant to each participating concern then in good standing a rebate in the proportion which the amount of export product guaranteed by each participating concern bore to the aggregate of similar export products guaranteed by all participating concerns.

Another Example of Co-operation

"Most of the concerns in another American industry had had some experience in export trade and had suffered greatly from one another's competition in foreign markets.

"Upon the return of normal conditions it seemed certain that export trade would be resumed with a recurrence of the former unsatisfactory conditions, in which foreign buyers, as formerly, would combine to present a united front against each American exporter, and by playing one against another would force each to underbid the other until as so often had occurred in the past, the combined foreign buyers would obtain the product below a fair and reasonable price. Most of the concerns in the industry had suffered so much in the past from these conditions, and were so fully convinced of the wastes involved in their competition with one another in foreign markets, that they were ready to co-operate in any reasonable form of single joint selling organization. A man who had made his mark as foreign sales manager for one of the concerns, and whose integrity and impartiality were approved by all, could be engaged as general manager. Desirable locations in a number of foreign markets could be secured simply by taking over

branches already maintained there by one or another of the participating concerns. There was abundant past experience from which to plan the office management and sales organization, to work out the details of selling, credits, financing, shipping, and traffic, and to draw up a budget of probable financial requirements for a joint selling organization.

How This Combination Was Incorporated

"A corporation of $150,000 capitalization, entirely of paid-up common stock, was finally determined upon, to be organized under the laws of one of the western states, with its purposes carefully limited to those permitted by the Webb-Pomerene law. Only concerns which should agree to sell their entire export output through the corporation were eligible to become stockholders; and no concern was to be entitled to more than one vote, regardless of the number of shares it might own; and no concern or group of concerns was ever to maintain a majority interest or dominating control of the corporation. To carry out these provisions, every share of stock, excepting the qualifying shares, was to be endorsed in blank by the stockholders and deposited in trust with stock trustees. Upon this stock the corporation was to have a first lien as security for the faithful observance and performance by the stockholders of the corporate by-laws and resolutions and of any agreements entered into or obligations incurred by the stockholder with respect to the corporation. In event of the stockholder's default in this regard, the Board of Directors could tender to the stockholder the book value, not exceeding the par value, of his stock, less any indebtedness owing by the stockholder to the corporation, and could then cancel his stock, and reissue it to the stock trustees, who in turn might sell it to concerns eligible to become stockholders. According to the by-laws, specified geographical groups of stockholders were always to be entitled to specified numbers of directors in the Board of Directors and in the Executive Committee. Dividends were to be limited to seven per centum per annum, and surplus earnings were to be retained for reserves, or expended in sales promotion in export trade, according as the Board of Directors might determine.

Agreements With Participating Concerns

"Each participating concern was to execute an agreement with the corporation, constituting the latter the exclusive agent of the former, for the sale of the former's export product during the life of the agreement. This export product was to consist of specified quota determined from time to time by the Board of Directors of the corporation. The corporation was to sell the export product at such prices as the corporation should be able to obtain, and was to allot its orders fairly and impartially among the participating concerns, as nearly as possible in accordance with quotas determined from time to time by the Board of Directors of the corporation. Each participating concern was to accept and execute such orders as the corporation should assign to it. The corporation was to guarantee all accounts that it should sell, and was to settle with each participating concern for each shipment within thirty days, and was to retain for its services a commission of two and one-half per centum. The agreement between the corporation and the participating concern was to provide for no rebate upon this condition, and the only refund at any time to which the participating concern was to be entitled was in the form of dividends upon such stock as the participating concern might own in the corporation.

Another Typical Case of a Combination

"Most of the concerns, in another American industry, had for years been selling a substantial part of their output in export trade, and had suffered greatly, in the manner above described, from combinations of foreign buyers.

"Much as the industry had suffered from this cause, however, certain concerns, whose co-operation was deemed to be essential, were known to be adverse to becoming full members of any single joint selling organization. Every concern, on the other hand, had for years been accustomed to sell its export product through one or another agent, whom it had paid, on a commission basis, for selling, financing, and effecting deliveries abroad.

"A well qualified general manager, and suitable foreign rep-

resentatives, were readily available for a joint selling organization. The financial requirements of such an organization, also, were ascertainable with reasonable accuracy, and were easily within the ability of the industry to provide. A corporation was accordingly determined upon, to be organized under the laws of one of the eastern states with its purposes carefully limited to those permitted by the Webb-Pomerene law, and with a cash capital of $100,000 to be obtained by the issue of partly paid common stock, the balance to be subject to call in event of any unexpected increase in the financial requirements of the corporation. Only concerns that should agree to sell their entire export product through the corporation over a specified number of years were to be eligible to become stockholders.

Methods of Sales Distribution

"Each participating concern was to execute an agreement with the corporation, constituting the latter the exclusive agent of the former for the sale of the former's entire export product during the life of the agreement. This export product was to amount to a specified proportion of the participating concern's output. The corporation was to sell the export product at the best prices that it could obtain, and was to allot orders among the participating concerns as nearly as possible in proportion to the amount of export product which each had guaranteed to the corporation. The participating concern was to standardize, label, mark, pack, and ship its export product as directed by the corporation, and was to protect the latter in respect of all claims by purchasers. The participating concern was to bear all freight and other charges to the seaboard, but the corporation was to bear all freight and other charges beyond the seaboard, and all expenses of the corporation. For such products as the participating concern furnished the corporation, the participating concern was to be credited upon the basis of prices specified in a schedule attached to the agreement. As compensation for its services, the corporation was to receive a commission of three and one-half per centum, and to retain the excess of the export price at which it should sell such product over and above the price at which it purchased from the participating concern. The corporation was to settle

with the participating concern for each shipment within ten days after delivery of shipment at the seaboard, less two per cent. discount for cash against bills of lading to the seaboard. Out of the aggregate commissions received by the corporation the corporation was to retain an amount sufficient to pay dividends at the rate of seven per centum per annum on its capital stock, and also such amount as the Board of Directors should deem proper for reserves. Out of any balance remaining, the corporation was to grant to each participating concern, then in good standing, a rebate in the proportion which the amount of export product guaranteed by each participating concern bore to the aggregate of similar export products guaranteed by all the participating concerns.

"Traveling in Double Harness'

"This agreement was to be the basis upon which the corporation would sell the export product of concerns participating as stockholders in the joint selling organization. But some concerns, as already has been stated, were known to be adverse to becoming full members of any single joint selling organization. Each of these concerns, however, had for years been accustomed to sell its export product through one or another agent, whom it had paid on a commission basis, for selling, financing, and effecting deliveries abroad. Each of these concerns, accordingly, was to be invited to make an agency agreement with the corporation, similar in all substantial respects to the agency agreements which it had been accustomed to make with its former agents. These agreements were to contain provisions for their termination, by either party, upon fairly short notice, so that each party would have a prompt way of escape if these agreements should prove unsatisfactory. During the life of these agreements, however, the concerns entering into them could try out the experiment of traveling in double harness with the rest of the industry, and if they found the experiment satisfactory, they could then all combine, upon a more enduring basis, as stockholders and full participating members, in a joint selling organization.

The Joint Type of Organization

"In the examples of joint selling organizations above described it was the organization itself that undertook the work of selling abroad. This, however, is not an essential characteristic of the joint selling type of organization. A joint selling organization, having contracted with its members for their entire export product, may find it the part of wisdom to contract then with an export house for the disposal of its export product, on commission or on some other satisfactory basis. The export house, as shown above, may undertake for the joint selling organization the actual work of selling. financing, and effecting deliveries of the export product controlled by the joint selling organization. For the export house, this arrangement might be attractive because it would result in the consolidation of a number of separate, small, indifferent accounts into a single, substantial, desirable account. For the participating concerns combining in the joint selling organization, the arrangement might be attractive, because it would promise profit with the minimum of risk and overhead expense, and would assure better terms, from the export house, than each of the participating concerns could possibly expect. Again, a joint selling organization, desiring itself to undertake the work of selling abroad, but not on so ambitious a scale as in the examples above described, might decide to sell through local dealers, or through a traveler, in the mode characteristic of those types of selling organization. Thus it might save all the wastes of competition, and all the economies of combination, which savings and economies the joint type of organization makes possible, and at the same time might obtain all the advantages which other types of selling organization afford in many foreign markets.

"A joint selling organization, having contracted for the entire export product of its participating concerns, is therefore unfettered in its choice of methods for selling in export trade, and is in position to market abroad through branch houses, or export houses, or local dealers, or travelers, through any type of selling organization whatsoever."

Individual Methods Govern Organization

"Nor should it be forgotten that joint selling organizations like other types of Export Associations, may combine with one another into larger and more comprehensive joint selling organizations, whenever greater economies, or more efficiency, or any other advantages, to themselves and to the concerns participating in them, appear to lie in that direction," says Mr. Montague.

"And should combinations of this character appear desirable, but obstacles be presented in the loss of individuality and independence which a larger joint selling organization might involve, it should not be forgotten that single joint selling organizations, instead of combining into a larger selling organization, may simply enter into agreements with one another regarding allotment of export orders, or prices to foreign buyers, or terms of export sales, or credits to foreign customers, or grades of export products, or allocation of foreign markets, or pooling of foreign business, or apportionment of output for export or division of sales territory abroad, or common selling agencies for export, or joint representation in export trade, or the like.

"Nor, finally, should it be forgotten, that the humblest American exporter, whether he sells through an export house, or local dealers, or a traveler, or only by mail order, may nevertheless, deal at arm's length with the largest joint selling organization, or may come to terms with it, if the terms are satisfactory to both parties, upon any agreement of the character above described, or, if he prefer, may go his own gait in export trade, with absolute assurance that the Federal Trade Commission will protect him against any act of his big competitor that constitutes unfair competition or restraint upon his export trade."

CHAPTER XI

HOW TO QUOTE PRICES

"ONE PRICE TO ALL" POOR POLICY—SYSTEM OF DISCOUNTS SHOULD BE FLEXIBLE—QUOTING PRICES IN AMERICAN CURRENCY—QUOTATION SYMBOLS MUST NOT BE CONFUSED—MEANING OF DIFFERENT SYMBOLS—METHOD OF COMPUTING C. I. F. PRICES—TERMS UPON WHICH GOODS ARE SOLD

There are two things that the American manufacturer must not do in quoting prices to foreign customers. One is, he must not make one price for any and all merchants engaged in the re-sale of goods in foreign countries. He must be careful to draw the line between the importer, wholesaler and retailer in a foreign country as well as the export merchant at home. If he is going to do business with the exporter at one of our American ports the latter alone should know the manufacturer's export price, and so on down the line. The merchant who buys from the manufacturer is entitled to protection. The price at which he buys from the manufacturer should not be revealed to the merchant to whom he sells the goods.

The second thing that the manufacturer must not do is endeavor to dictate the retail price of an article to be sold in a foreign country. When it is remembered that the importer must face a number of additional charges at the other end such as import duties, dock dues, commissions to custom-house brokers as well as risks due to a fluctuating currency in a foreign country to which the goods are shipped the justice of this policy will be recognized. It is evident that the imposition of an arbitrary retail price beyond which the merchant may not go would be highly impracticable.

System of Discounts Should Be Flexible

A flexible system of discounts is usually necessary for the

purpose of quoting different prices to various merchants involved in the re-sale of goods. These discounts range as high as 40 per cent and as low as 10 per cent. They are generally determined by the character of the business in which the customer is engaged. Importers, wholesalers and retailers who ask quotations from manufacturers are subject to varying discounts. The quantity of goods purchased during the year, and the territory in which the customer is located, may also determine the amount of the discount. With reference to territory it must be remembered that it is more costly to develop business in sparsely settled regions of the world than it is in the more thickly settled and prosperous sections. The manufacturer who sells goods in London may quote a lower price to the British merchant than to the Siberian or the merchant from Punta Arenas.

Quoting Prices in American Currency

If a customer desires to be quoted in the currency of his own country the manufacturer should do so, only he must be careful that due allowance is made in the rate of exchange at which the foreign money is converted into American dollars. Also, if the foreign customer requests that the value of the invoice be collected in the currency of his country or in some foreign well-known currency, such as the mark, franc or pound sterling, the manufacturer should do so but with the understanding that the value of the invoice will be converted into the currency desired at the rate of exchange prevailing in New York or in some other city when the shipment is made so that he may obtain the exact equivalent in American dollars.

Quotations Should Be Understandable

When the manufacturer quotes a price on a certain article the customer at the other end should know exactly what he means. There should be no room for doubt. Neither should the customer be compelled to write or cable for further information. This not only means delay, but causes unnecessary expense. In order to avoid this the manufacturer should be sure that the following points are written down in black and white on quotation forms which he may distribute:

(a) Description of merchandise; (b) Quotation of prices in an understandable manner; (c) Name of city where goods are to be delivered: (d) The kind of packing, and charges made for special kinds; (e) Date of shipment; (f) Liabilities that manufacturer will assume; (g) Liabilities that customer will assume: (h) Liability of manufacturer due to delays beyond his control; (i) Form of marine insurance to be taken out; (j) Terms of Payment; (k) Routing of shipment; (l) Methods of shipment in absence of specific instructions.

Quotation Symbols Must Not Be Confused

There is much confusion in the use of symbols for quoting prices to foreign customers. For instance, the symbol "F. O. B." means "free on board" and when used in export trade it should mean "free on board vessel," that is to say, all charges involved in getting the goods on board the ship are to be paid by the shipper. In quoting "F. O. B. Factory" or "F. O. B. New York," however, manufacturers generally mean that the goods will be placed free on railroad cars or inland freight charges are to be paid to New York, but all expenses in hauling the goods from the railroad cars and getting them on board the steamer must be borne by the customer. It is necessary, therefore, when quoting "F. O. B." that the shipper qualify the symbol with additional information. The buyer must know whether "F. O. B. Factory" means that he must pay the freight from the factory to the port of shipment, whether "F. O. B. New York" means that he must pay lighterage and other incidentals involved in getting the goods on the steamer, or whether "F. O. B. Vessel" means that he is relieved from these additional expenses. The latter quotation is the proper one to use in export trade as it is difficult for a foreign buyer to calculate the freight charges from factory to port of shipment and other incidentals involved in getting the freight into the hold of the steamer. The shipper should do this for him.

"F. A. S." (free alongside) is another expression that needs explaining. An "F. O. B. Vessel" quotation includes all charges of loading goods on steamer. An "F. A. S. Vessel" quotation includes all charges except those involved in hoisting goods of an extremely heavy character into the steamer. When extra charges for loading heavy goods into the steamer are imminent, the shipper makes an "F. A. S. Vessel" quotation unless he is willing to pay the extra charges himself. Failure to make this distinction in quoting prices may lead to financial loss.

C. I. F. Quotation In Export Trade

The symbol "C. I. F." means cost, insurance and freight. In quoting prices on a "C. I. F." basis the manufacturer agrees to pay all charges involved in getting the goods on board the steamer, the marine insurance premium, and the freight. All other charges such as consular fees, etc., not included in the "C. I. F." quotation must be borne by the customer. In quoting "C. I. F." the manufacturer should inform the customer as to the kind of marine insurance to be taken out, and in time of war whether it involves a war risk clause.

To the foreign customer a "C. I. F." quotation is the most attractive. Knowing what goods will cost him at the port of destination he can easily calculate what the charges at the home port will amount to. Knowing approximately what the total cost will be he can then quote a definite price to his customer without delay.

In quoting "C. I. F." however, the shipper assumes the following risks:

Loss from fluctuation of charges involved in placing goods on ship.

Loss from fluctuation of rates in marine insurance.

Loss from fluctuation of ocean freight rates.

How Merchants Profit on C. I. F.

On the other hand, however, a sudden drop of freight or insurance rates may mean an increased profit to the shipper. As a matter of fact, some American exporters make their "C. I. F." quotations so close that they usually depend on the changing freight and insurance rates to drop in their favor. Their profits are obtained from the difference at which they

booked the freight and marine insurance and the final price that was paid. Inasmuch as there is considerable risk involved in quoting "C. I. F." prices it is necessary to limit such quotations to a certain time only, as a protection to the shipper. In order to expedite the closing of deals on a "C. I. F." basis the cable is usually resorted to, and an answer by the same method is generally requested. When quoting by mail on a "C.I.F." basis an immediate reply by letter or by cable is asked.

The shipper who quotes a "C. I. F." price is responsible for the following:

Delivery to shipping point.

Delivery of goods on vessel and payment of freight charges and insurance premium.

It should be noted that the shipper is not responsible for the delivery of the goods to destination. If the goods arrive in a damaged condition or are lost the customer must pay for them, nevertheless. He must obtain satisfaction from the carrier or the insurance company, not the manufacturer.

Liability in Quoting C. I. F. and F. O. B.

There is greater liability in quoting an F.O.B. point of shipment than a C. I. F. destination as appears from an article in the Bulletin of The American Manufacturers' Association by A. M. Fisher, in which he says:

"The world, or at least part of it, is talking of efficiency. The C.I. F.quotation is advantageous and desirable because it is more efficient than the usual quotation F. O. B. shipping point. There are several reasons.

"It is well to understand the difference between the C. I. F. price and the F.O.B. price and also to understand the difference

A decision of interest to manufacturers and exporters was recently rendered by a Canadian court relating to the commercial expression, "F. O. B." The court made it a ruling as to the significance of the term. The court held that the term "Free on Board" means that the seller, at his expense, places his goods on the car or vessel which is to carry them from the point specified, and that the buyer takes the risk onwards; at the same time the goods must, at destination be in conformity with conditions of sale or they may be legally rejected. Further, it is necessary to distinguish delivery from acceptance; for said the court:

"The carrier is the agent of the purchaser, but his mandate is limited to the transportation of the goods. The question to decide is whether it was the thing sold that was carried from the point of shipment. If the vendor has correctly delivered the thing sold, the buyer becomes the proprietor immediately. If he delivers something else—for instance if he has sold goods of first quality and delivers goods of second quality—there is no delivery of the thing sold. The buyer can refuse them only when they arrive at their destination."

as to risks. A C.I.F. price quoted for a foreign port, includes the cost of the goods F.O.B steamer, the marine insurance charges and the steamer transportation charges, to the foreign port in accordance with the terms of the bills of lading. An F.O.B. price is understood to be a price at point of sail, unless stipulated otherwise. By stipulation it may, of course, be effective at any point nominated.

"C. I. F. London and F. O. B. London are two very different things, as far as risk is concerned. The F. O. B. quotation, as a rule includes all of the risks of the C. I. F. quotation, and in addition covers other risks. A quotation F. O. B. New York as opposed to a quotation C. I. F. London, on a shipment destined to London, will, as a rule, in practice, involve more risks than the C. I. F. quotation.

"With a C.I.F. price no liability is involved beyond the cost of the goods and the prepayment of the insurance and freight charges. These prepayments are not mandatory however, if the amounts are allowed to be deducted. With the C. I. F. quotation damage or loss after shipment does not accrue in any way against the shipper save on proof of negligence, which, of course, is not voided.

"With the F. O. B. price all liabilities are with the shipper until delivery is made in accordance with the quotation stipulation. If the stipulation covers delivery at a foreign port the risk is considerable. If it covers delivery at point of shipment it practically amounts to the same thing as a C. I. F. price in view of the usual practice of the steamship companies and insurance companies to require prepayment of charges.

"The elements of the C.I.F. price will fairly be covered by the following:

"Cost: The price of the goods F. O. B. steamer, including initial factory price, rail carriage to port of shipment, trucking or lighterage to steamer, derrick charges or lifting into steamer if extra heavy or bulky, charges due to special hazards, probable storage charges, at port of shipment, drawback, if any, consular charges, and petties and postage.

"Insurance: The premium charge covering a nominated period of time, perhaps both before and after the voyage.

"Freight: All steamer charges covering shipments to destination in accordance with the terms of the bill of lading and the

customary rules of the outward port as to the interpretation put upon the terms of the bill of lading.

"I have said that the C. I. F. price is more efficient than F.O.B. price made at the lading port, as is usually done. This, you will readily understand when you consider the condition at the foreign port and also the logic as to the seller's obligations.

"As to cost: The foreign buyer, if quoted at the factory, has no means of knowing the cost of rail or domestic carriage. If quoted F. O. B. cars port of shipment the foreign buyer has no means, except perhaps some bitter experiences, which enable him to know or judge as to the charges for such matters as trucking, lighterage, derrick or lifting hazards, storage, drawback, consular requirements, to say nothing of petties and postage.

"As to insurance: He has no means of knowing the insurance rates or the premium amounts owing to a lack of knowledge of other elements.

"As to freight: He is, as a rule, unable to obtain a quotation of an outward freight rate at an inward port; that is, a steamship quotation from New York will not be given in Melbourne, but will be referred to New York. This is a general practice of the steamship companies. They publish no tariffs as do our domestic common carriers. Also, manufacturers frequently make serious errors in stating the gross weight, net weight, legal weight, and the cubic measurement of their products. This, of course, is an essential piece of information in figuring laid down costs in foreign markets. In many cases the American manufacturers give no information related to this important matter, although they believe themselves to be making serious efforts toward a development of their export trade. It has come within my experience to see errors of over 100 per cent. as to weights and measurements, and substantial differences were frequent enough to inspire profanity. It is a practical waste of time to make quotations of any sort unless some idea, within safe limits, is given as to weights and measurements.

"You will appreciate from the foregoing that the foreign buyer is at a distinct disadvantage unless prices are quoted C.I.F. owing to conditions beyond his control. The result is that their interests are more often in what may be termed 'heavy' or 'standard' lines, rather than what may be termed

'specialty' lines. But few of the members of this association are offering what I would term the 'heavy' lines; most of you are offering specialties. As a rule the heavy lines are quoted C.I.F., and, I believe, it is true that most of the specialty lines are quoted F.O.B lading port by the manufacturer. The sellers, being yourselves, are able to get all of the information required for the making of C.I.F. quotations promptly and with certainty and little risk. If the elements are combined into the C.I.F. price, the buyer, who is really representing your interests, has his time conserved. His risks are materially reduced and, incidentally, he is willing to work on lesser unit profit, thereby enhancing the volume of business placed with you."

When the manufacturer quotes "C. & F." he means cost and freight, the insurance being eliminated.

Quoting "C. A. F." should be avoided as it does not mean "Cost and Freight" in foreign countries. Instead, it is subject to the French interpretation of "cost, assurance and freight," which is the equivalent to "C. I. F." as "assurance" is the French word for "insurance."

In some countries the expense involved in exchange is included in the quotation of prices. The American manufacturer who wishes to include exchange in quoting prices to a customer in Australia or in South Africa where the exchange is usually figured in should use the following symbol: "C. I. F. & E." which means "cost, insurance, freight and exchange." "C. I. F. I. & E." means that interest is added, while "C. I. F. & C." means that commission is to be included.

Method of Computing "C. I. F." Prices

In computing "C. I. F." prices the manufacturer must know:

The approximate cost of a given weight of goods delivered on board the steamer at the port of shipment.

The cubic measurements and gross weights of packages.

The approximate ocean freight rate to be paid.

To make up the "C. I. F." cost of a certain shipment of goods the manufacturer must:

Compute the railroad freight, cartage, and other charges incurred in placing the goods on board the steamer.

Calculate the ocean freight that is to be paid.

Include the marine insurance.

If the shipment involves a hundred gross of a certain article it will not be difficult to quote a price per gross "C. I. F."

Quotations Acceptable to the Customers

There are certain foreign markets in which business may only be obtained by quoting prices delivered at the customer's warehouses. The Germans, who have made a study of export technique as thoroughly as any people in the world, have been able to meet such conditions. In some markets, however, customers are able to handle merchandise more favorably when quotations are F.O.B. port of shipment or C.I.F. port of arrival. The Germans, always looking for opportunities to develop and retain their trade, have met these peculiarities in a manner satisfactory to the people they were doing business with. Quoting prices in a manner acceptable for the customer represents only one of the little things that the Germans have gone out of the way to accomplish in order to obtain their great foreign trade.

The necessity of making intelligent quotations to foreign customers is paramount. This is illustrated in a Bureau of Foreign and Domestic Commerce report on "Markets for Agricultural Implements and Machinery in Argentina" by Frank H. von Motz, which says:

"Manufacturers who want to enter the Argentine or any other foreign market should arrange to quote prices for their product, properly boxed for export shipment, and delivered F. A. S. New York City. No single thing leads to so much trouble as the quoting of prices F. O. B. cars at factory, F. O. B. cars in New York City, or in any other place. The foreign merchant wants to know what the goods he intends purchasing are going to cost him F. A. S. in New York Harbor, so he can figure the landed cost at his port.

"In normal times, prior to the war in Europe, Buenos Aires importers of implements generally figured that 25 per cent. added to the cost F.A.S in New York Harbor would allow enough margin to pay all costs incident to putting the goods in a warehouse in one of the three port cities in Argentina.

"In other words, the price F.A.S. in New York Harbor, with 25 per cent. added, represents the landed cost in an Argentine port. These figures seem somewhat high, but as the majority

of the importing houses figure their landed costs in that way it is best to use the figures they do. To the landed cost 56 per cent. is added to find the list price, which is also the retail price. To dealers a discount of 15 per cent. is given, with an additional discount of 5 per cent. for cash in 30 days.

"In the case of repairs a different method is used. With the exception of a few very necessary repairs, the nature of which causes them to wear out very rapidly and on which special prices are given, the American manufacturers' list price is multiplied by five, and the result is the Argentine list price in paper money. In other words, a repair listed at $1 in the American manufacturer's catalogue is listed at $5.00 Argentine paper in the Argentine importers' catalogue. An Argentine paper dollar is worth $0.4246 American money, therefore the Argentine list price is $2.12 American money.

"Dealers get a discount of 15 per cent., with an additional discount of 5 per cent. for cash in 30 days. As most American manufacturers allow a discount from list of 50 per cent., or even more, a repair listed in the American catalogue at $1 can be placed in a warehouse by the Argentine importer at a price which does not exceed $0.63. If the repair sold at retail, the selling price is $2.12; if at wholesale, the selling price is $1.71, assuming that advantage is taken of a cash discount."

Terms Upon Which Goods Are Sold

In the United States "net" means payment without discount.

In England "terms cash" means payment within one or two days.

In the same country "ready cash" means payment within five or ten days.

The British also offer a discount of from two to two and one-half per cent for cash paid within five to ten days of delivery of goods.

The Germans ordinarily give thirty days with two per cent discount or 90 days net.

In Germany and France the practice has been to include a 90 day note with the invoice to customers who returned them to the sellers properly accepted. This is common also in Canada. Such method is practicable where an open credit business is conducted.

Reforms Urged in Making Standardized Quotations

Before closing this chapter it might be well to call attention to the movement initiated by the leading export organizations of the country, such as the National Foreign Trade Council, the American Manufacturers' Export Association, the American Importers' and Exporters' Association and others, to standardize and clarify export quotations so as to prevent misunderstandings as to their true meaning. It is common knowledge among exporters in this country that confusion arising from the misunderstanding and misinterpretation of quotations has been the cause of the loss of thousands of dollars annually both to buyer and seller. It is the purpose of the above mentioned organizations to bring about a reform in this important detail so as to simplify it to that point where even the least experienced merchants engaging in foreign trade may easily master it.

At a meeting in December, 1919, the organizations mentioned gathered at a conference in New York, and a recommendation by the National Association of Manufacturers calling for the abandonment of all the abbreviated terms in favor of writing the words out in full was adopted. The action taken at this conference, however, can only be in the nature of a recommendation where there are so many engaged in the trade throughout the country. Reliance is placed upon the trade organizations to conduct a campaign of education looking to the adoption of the proposed changes.

New Methods of Making Quotations Are Adopted

The export quotations finally passed upon and adopted were as follows:

F. O. B. (Named Point).

1. When the prices quoted applies only at shipping point, and the seller merely undertakes to load the goods on or in cars or lighters furnished by the railroad company serving the industry, or most conveniently located to the industry, without other designation as to routing, the proper term is:

"F. O. B. (named point)". (F. O. B. cars, mills, works and factories all have the same meaning and obligation.)

Under the quotation:

(a) Seller must (1) place goods on or in cars or lighters, (2) secure railroad bill of lading, (3) be responsible for loss and, or damage until goods have been placed in or on cars or lighters at shipping point, and clean bill of lading has been furnished by the railroad company.

(b) Buyer must (1) be responsible for loss and, or damage incurred thereafter, (2) pay all transportation charges, including taxes, if any, (3) handle all subsequent movement of the goods.

F. .O. B. (Named Point).

Freight prepaid to (named seaboard point).

2. When the seller quotes a price including transportation charges to the port of exportation without assuming responsibility for the goods, after obtaining a clean bill of lading at point of origin, the proper term is:

"F. O. B. (named point) freight prepaid to (named point on the seaboard)."

Under this quotation:

(a) Seller must (1) place goods on or in cars or lighters, (2) secure bill of lading, (3) pay freight to named port, (4) be responsible for loss and, or damage until goods have been placed in or on cars or lighters at shipping point, and clean bill of lading has been furnished by the railroad company.

(b) Buyer must (1) be responsible for loss and, or damage incurred thereafter, (2) handle all subsequent movement of the goods, (3) unload goods from cars, (4) transport goods to vessel, (5) pay all demurrage or storage charges, (6) arrange for storage in warehouse or on wharf where necessary.

F. O. B. (Named Point) Freight Allowed.

3. Where the seller wishes to quote a price, from which the buyer may deduct the cost of transportation to a given point, without the seller assuming responsibility for the goods after obtaining a clean bill of lading at point of origin, the proper term is:

"F. O. B. (named point) Freight Allowed To (named point on the seaboard)."

Under this quotation:

(a) Seller must (1) place goods on or in cars or lighters, (2) secure railroad bill of lading, (3) be responsible for loss and, or damage until goods have been placed in or on cars or lighters at shipping point, and clean bill of lading has been furnished by the railroad company.

(b) Buyer must (1) be responsible for loss and, or damage incurred thereafter, (2) pay all transportation charges (buyer is then entitled to deduct from the amount of the invoice the freight paid from shipping point to named port), (3) handle all subsequent movement of the goods, (4) unload goods from cars, (5) transport goods to vessel, (6) pay all demurrage charges and, or storage, (7) arrange for storage in warehouse or on wharf where necessary.

F. O. B. Cars (Named Point on Seaboard).

4. The seller may desire to quote a price covering the transportation of the goods to seaboard, assuming responsibility for loss and, or damage up to that point. In this case the proper term is:

"F. O. B. cars (named point on seaboard)."

Under this quotation:

(a) Seller must (1) place goods on or in cars, (2) secure railroad bill of lading, (3) pay all freight charges from point of shipment to port on seaboard, (4) be responsible for loss and, or damage until goods have arrived in or on cars at the named port.

(b) Buyer must (1) be responsible for loss and, or damage incurred thereafter, (2) unload goods from cars, (3) handle all subsequent movement of the goods, (4) transport goods to vessel, (5) pay all demurrage charges and, or storage, (6) arrange for storage in warehouse or on wharf where necessary.

F. O. B. Cars (Named Port), L. C. L.

5. It may be that the goods, on which a price is quoted covering the transportation of the goods to the seaboard, constitute less than a carload lot. In this case the proper term is:

"F. O. B. cars (named port), L. C. L."

Under this quotation:

(a) Seller must (1) deliver goods to the initial carrier, (2) secure railroad bill of lading, (3) pay all freight charges from point of shipment to port on seaboard, (4) be responsible for loss and, or damage until goods have arrived on cars at the named port.

(b) Buyer must (1) be responsible for loss and, or damage incurred thereafter, (2) handle all subsequent movements of the goods, (3) accept goods from the carrier, (4) transport goods to the vessel, (5) pay all demurrage charges and, or storage, (6) arrange for storage in warehouse or on wharf where necessary.

F. O. B. Cars (Named Port), Lighterage Free.

6. Seller may quote a price which will include the expense of transportation of the goods by rail to the seaboard, including lighterage. In this case the proper term is:

"F. O. B. cars (named port), lighterage free."

Under this quotation:

(a) Seller must (1) place goods on (or) in cars, (2) secure railroad bill of lading, (3) pay all transportation charges to, including lighterage at, the port named, (4) be responsible for loss and (or) damage until goods have arrived on cars at the named port.

(b) Buyer must (1) be responsible for loss and (or) damage thereafter, (2) handle all subsequent movement of the goods, (3) take out the insurance necessary to the safety of the goods after arrival on the cars, (4) pay the costs of hoisting goods into vessel where weight of goods is too great for ship's tackle, (5) pay all demurrage and other charges, except lighterage charges.

F. A. S. Vessel (Named Port).

7. The seller may desire to quote a price covering delivery of the goods alongside overseas vessel and within reach of its loading tackle. In this case the proper term is:

"F. A. S. Vessel (named port)."

Under this quotation:

(a) Seller must (1) transport goods to seaboard, (2) store

goods in warehouse or on wharf if necessary, unless buyer's obligation includes provision of shipping facilities, (3) place goods alongside vessel, either on a lighter or on the wharf, (4) be responsible for loss and (or) damage until goods have been delivered alongside the ship.

(b) Buyer must (1) be responsible for loss and (or) damage thereafter, (2) handle all subsequent movement of the goods, (3) pay cost of hoisting goods into vessel where weight of goods is too great for ship's tackle.

F. O. B. Vessel (Named Port).

8. The seller may desire to quote a price covering all expenses up to and including delivery of the goods upon the overseas vessel at a named port. In this case the proper term is:

"F. O. B. Vessel (named port)."

("F. O. B. named port" has the same meaning in the best practice, but should be avoided altogether to prevent misunderstandings.)

Under this quotation:

(a) Seller must (1) place goods actually on board the vessel and to meet all, in placing goods on the vessel, charges incurred thereby, (2) be responsible for all loss and (or) damage until goods have been placed on board the vessel.

(b) Buyer must (1) be responsible for loss and (or) damage thereafter, (2) handle all subsequent movement of the goods.

C. and F. (Named Foreign Port).

9. The seller may be ready to go further than the delivery of his goods upon the overseas vessel and be willing to pay transportation to a foreign point of delivery. In this case the proper term is:

"C. and F. (named foreign port)."

Under this quotation:

(a) Seller must (1) make freight contract and pay transportation charges sufficient to carry goods to agreed destination, (2) deliver to buyer or his agent proper bills of lading to the agreed destination, (3) be responsible for loss and (or) damage until goods have been delivered alongside the ship, and clean ocean bill of lading obtained.

(Seller is not responsible for delivery of goods at destination.)

(b) Buyer must (1) be responsible for loss and (or) damage thereafter and must take out all necessary insurance, (2) pay costs of discharge, lighterage and landing at foreign port of destination in accordance with bill of lading clauses, (3) pay foreign customs duties and wharfage charges, (4) handle all subsequent movement of the goods.

C. I. F. (Named Foreign Port).

10. The seller may desire to quote a price covering the cost of the goods, the marine insurance on the goods, and all transportation charges to the foreign point of delivery. In this case the proper term is:

"C. I. F. (named foreign port).

Under this quotation:

(a) Seller must (1) make freight contract and pay freight charges sufficient to carry goods to agreed destination, (2) take out and pay for necessary marine insurance for buyer's account, (3) be responsible for loss and, or, damage until goods have been delivered alongside the ship, and clean ocean bill of lading and insurance policy have been delivered to the buyer or his agent (seller is not responsible for the delivery of goods at destination nor for payment by the underwriters of insurance claim), (4) seller to provide war risk insurance when necessary for buyer's account.

(b) Buyer must (1) be responsible for loss and, or, damage thereafter except as covered by insurance and must make all claims to which he may be entitled under the insurance directly on the underwriters, (2) pay costs of discharge, lighterage and landing at foreign port of destination, (3) pay foreign customs duties and wharfage charges.

Shippers are recommended to clearly understand the provisions of their insurance protection on all foreign sales, irrespective of the general terms used thereon. In almost all cases it should be possible, when making shipments by steamer, to obtain insurance cover, giving full protection from primary shipping point to designated seaport delivery and on foreign port of delivery, as ordinary marine insurance under F. P. A. conditions, i. e., free of particular average, gives no

protection against deterioration and (or) damage to merchandise while in transit, when caused by the recognized hazards attending such risks. Shippers should endeavor in all cases to obtain insurance under W. P. A., i. e., with particular average, when in excess of the customary franchise of 3 per cent. to 5 per cent. Under such form of insurance underwriters will be called upon to pay claims for damages when these exceed the stipulated franchise.

Emphasizes Necessity of Set Terms

The necessity of set terms in quoting prices is clearly emphasized by John F. Fowler in "The Americas," a publication of the National City Bank of New York City, who says:

"In sales c. i. f. to a port the buyer often pretends that he has purchased at that port; and this quibble is a common trick to shirk the goods if the market has turned adversely.

"The distinction between a sale 'delivered at destination' and a sale 'c. i. f. to the port' is sharp and clear to both the experienced seller and buyer. But the ignorance on this point is amazing, among our American traders, and when laxity in practice has been tolerated, by allowing the foreign buyer to imagine or infer that he is dealing on the basis of 'quote delivered at' his port, the exporter is breeding trouble for himself, arising from the contingencies of voyage (which belong absolutely to the buyer), if anything happens beyond the risks covered by the bill of lading and insurance. Many such buyers throw upon the seller the consequences of deterioration in perishable goods, perhaps from the delay (arising from mishap) en route, and for which the seller never contemplated any responsibility.

"Again, say a sale has been made for shipment a month or two later, and space for the cargo is immediately engaged with the steamship line, but some mishap delays the boat and unavoidably she cannot load strictly on time. Perhaps, weltering weather in summer, or a blizzard in winter, delays the factory or railway or local steamboat; or an ice-bound harbor, or a strike somewhere, retards the shipment for a week or fortnight. The sale was made in all good faith, relying upon usual facilities which generally operate on time, but something uncontrollable transpires, between sales and shipment the market

has fallen, which fact the customer is sure to know, but he will likely await arrival of the goods to reject them upon his unhappy seller, or else exact an extortionate allowance. This is bad enough in the case of staple commodities, but if machinery or other goods not easy of sale, the exporter is certain to suffer heavily.

Quoting in any way except a "c. i. f." basis often works a hardship on a customer who lives in a country where ocean freight rates are constantly fluctuating. In these markets it is hard to do business unless the importer knows exactly what the goods are to cost him landed at the port, and he is unable to determine these costs unless he is quoted "c. i. f."

The disadvantages of quoting in any manner except on a "c. i. f." basis in the Ceylon market is told by Ralph M. Odell, who reported to the Bureau of Foreign and Domestic Commerce on "Cotton Goods in Celyon." He says in part:

"In Celyon as in other markets of the world, the importer stated that the practice of American manufacturers and exporters in quoting goods f. o. b. New York instead of c. i. f. the port of destination made it very hard to do business. It would doubtless be difficult for the American exporter to make firm offers on a c. i. f. basis in view of the constant fluctuations in freight rates, but it is even more difficult for the importer in Celyon to ascertain rates of freight outward from New York. Inasmuch as present transportation charges are equal from eight to ten per cent. of the value of the goods, the importer is afraid to take chances, particularly as the margin of profit in cotton goods is very small. When prices are quoted f. o. b. New York, he does not know and has no means of ascertaining without cabling to the exporter, the rate of freight to be paid.

"It would certainly facilitate American trade if the exporter would quote prices c. i. f. Colombo with a stipulation that they were subject to cable confirmation. Freight rates and war risk insurance on shipments from Europe are changing almost as frequently as the rates from New York but in spite of this fact all English and Continental cotton goods are still being sold c. i. f. Colombo. I explained to the importers the difficulties which American exporters meet in conforming to the practice, and while they appreciate these difficulties, they maintain that our trade would be greatly facilitated if we could overcome them and quote a price on goods delivered in the harbor of Colombo."

Chapter XII

FOREIGN CREDITS

HUMAN NATURE SAME THE WORLD OVER—WHY MANUFACTURERS REFUSE TO EXTEND CREDIT OVERSEAS—HISTORY OF CREDIT IN FOREIGN BUSINESS—CREDIT INFORMATION NOT DIFFICULT TO OBTAIN—WHAT IS NECESSARY IN CREDIT INFORMATION—LONG CREDITS NOT NECESSARY IN EXPORT TRADE—HOW TO COLLECT OVERDUE ACCOUNTS IN FOREIGN FIELD.

All the crooks and "dead beats" in the world are not to be found in regions outside of the United States. Neither are all the honest folks concentrated in this country. Yet the novice in export trade upon receiving an inquiry or an order from a merchant in a foreign country generally demands cash in advance before he permits the goods to leave his hands. He has formed the opinion that foreigners are not to be trusted. There is another kind of a novice in the export trade, too. He is the exporter who becomes so enthusiastic over receiving his first order from some merchant in India or in South Africa that he immediately makes the shipment without consulting the credit information sources which are available. The shipment reaches its destination but the remittance never comes; and the novice is greatly disappointed.

Human nature is very much the same the world over. Business is transacted along the same basic principles. There are good and bad accounts in foreign countries. There are good and bad accounts in the United States. Business cannot be transacted without credit, however. The world's greatest exporting nations have developed the markets of the world by extending credit. American manufacturers and exporters have extended credit. The pioneers will tell the novice that fewer losses from bad accounts have been recorded against foreign customers than against domestic buyers. There are still many American manufacturers, however, who have not learned that

risks beyond the American boundary lines are just as safe as those within our borders.

Why Manufacturers Refuse to Extend Credit Overseas

There are probably two reasons why American manufacturers refuse to extend credit to prospective customers in foreign countries. One is that they are ignorant that there are available in this country many agencies for the obtaining of sufficient reliable credit information regarding foreign customers, and the other is that American manufacturers are not equipped to handle this kind of business. They do not wish to assume the additional burden of looking up credit information, and other risks involved in shipping goods to a foreign country, and in the collection of the account. Added to this is the necessity of obtaining a speedy return in the investment involved in the factory.

History of Credit in Foreign Business

Before proceeding with the methods by which an American manufacturer may be able to obtain reliable credit information and finance shipments without the necessity of tying up capital the reader should have a general idea regarding the growth and development of credit in the commercial relations between nations.

In Special Agent Series, No. 62, of the United States Bureau of Foreign and Domestic Commerce, Mr. Archibald J. Wolfe, Commercial Agent for the Department of Commerce and Labor gives this interesting bit of light on the beginning of credit relations between exporters in Europe and importers in foreign markets.

"In the early history of commercial relations between the great exporting nations and the countries which are forced to import the bulk of their manufactured goods, and therefore from the principal 'export markets,' the financing of export shipments was a comparatively simple matter," says Mr. Wolfe. "The European exporter maintained branches of his own within the sphere of his activity in the export field. He

supplied the goods, the foreign or local branch received them and distributed them among the local dealers or consumers. When the latter were able to pay, the distributing house was in a position to forward the proceeds to the parent house.

"The next step in the development of the export markets was the rise of independent importers abroad, but these were also dependent upon the receipt of proceeds from their customers before being able to settle with the European houses which supplied them with the goods. The mode of payment on the part of the local customers, however, depended upon the purchasing power of the population, and that in its turn hinged upon the yield of harvest, and the prices realized abroad for native produce.

System of Barter is Dying Out

"The inevitable progress of economic development has brought about certain changes in the relations between exporters, importers, and native producers in the export markets. Excepting in certain sections of Africa and in the South Sea Islands, the native producer no longer barters his produce against his demand for foreign manufacturers or provisions, and the relation between harvests and the purchasing power is less visible on the surface, but none the less it is very real. In Guatemala, Venezuela, and Brazil, for instance, this interdependence of purchasing power and the price of coffee in the world markets is very clearly observable.

'It is impossible, of course, to adjust automatically the supply of manufactured imports to the purchasing power of the country. Yet anyone familiar with conditions in the export markets notices the feeling of hesitancy in ordering goods which pervades the entire commerce of these markets just before the result of the harvest is reliably known.

"Originally, all this uncertainty, the risk of overstocking, the inability to gauge the paying capacity of the local trade, were burdens upon the shoulders of the European exporter. The distributing house abroad was his own branch establishment. Later the independent importer had to bear the risk of being unable to dispose of his stock. His customers, as the result of a bad harvest, might fail to fulfill their obligations

toward him. He had to have credit, because his ability to pay for his goods depended upon the payments of his customers.

"The European importers, therefore, granted him open credit. .This means that the shipments from Europe were debited against the importer, leaving him a considerable amount of latitude in settling. This latitude was generally the subject of special agreements.

"The credit in this manner is elastic, inasmuch as the time of the settlement by the importer is dependent upon the time when he receives payments from his customers. Open credit was an absolute necessity at a period of the export business when the shipments from Europe had to be balanced against shipments of foreign produce. It was impossible to either provide an absolute equivalent between shipments of manufactured goods from Europe and shipments of a product such as coffee to Europe, or to assign any definite time for the return shipment.

"When the importers commenced to settle their indebtedness to European creditors by remittances of money, an argument in favor of open credit was the desire on the part of the debtors to remit when the 'exchange' was favorable. At this stage it may be remarked that the currency reforms in many export markets have to a great extent eliminated this factor.

Absolute Confidence is Necessary

"One of the essential conditions of this open credit trading was absolute confidence on the part of the exporter in the importer. Originally, the importing house was the exporter's own branch establishment. Later, European exporters extended these confidential relations to houses of strictly European nationality, British or Germans located in the export field. Competition and the search for wider markets forced the European exporters to penetrate beyond the chain of importers along the coasts and to take up dealings with native importers. China, and to some extent Japan, are the only countries at the present time where every link between the exporter in Europe and the ultimate consumer still remains—the importer at the foreign port, the jobber, the wholesale distributor in the interior, and the retail dealer.

"In place of the small group of importers oversea, many of whom were blood relatives or friends of the exporters and whose financial standing was an open book to the latter, the exporter deals now with a large number of strangers, whose commercial status may be an uncertain quantity. This situation brings about the creation of settlement by means of drafts. Each individual transaction is documentarily attested by means of a draft; the latter is accepted by the debtor; the credit granted by the exporter ceases on the day when the draft matures.

Banks Now a Factor in Trade

"At this stage of the development of the export trade the banks appear as an important factor in the credit business. The bill of exchange becomes the foremost credit instrument of foreign trade. The improvement in the stability of foreign exchange and the organization of a network of oversea banks were the principal causes which contributed to this.

"The American manufacturers enter the export field as important competing factors at a time when their British and German rivals and predecessors have begun to reap the fruits of a long period of preparation, organization, and adaptation to foreign conditions. By sheer excellence of their products, the result of unparalleled ingenuity and inventiveness, by their manufacturing skill and remarkable enterprise, they invade the markets of the world and attain a most enviable position as an exporting nation. The vast home market, indeed, still engrosses the attention of most American manufacturers. It is comparatively a small number among them who have studied the foreign markets with an eye to the future as well as to the present. Many of them regard the export trade as a sideline or as an experiment. The results of this phase in the growth of the American export trade are numerous complaints from foreign customers. The farsighted manufacturers who have built up a world trade are seldom objects of these complaints, but the novice seems to be bound to pass through this period of apprenticeship, until under the expensive tutorship of experience he learns to transact his business with the foreigner as smoothly as with the home customer."

Manufacturers Refuse to Give Credit

Mr. Wolfe goes on to cite the most popular criticism directed against American manufacturers by foreign buyers—that of the refusal of the former to grant credit to the latter.

"It may be admitted here that the demand for credit in the export markets is a vital one and that European exporters adequately meet this demand," says Mr. Wolfe. "The American manufacturers, on the other hand, have been persistently blamed for ignoring it. The result of this attitude, it is pointed out, is that Americans lose trade to the nations which will grant the credit required in the export field.

"'Cash against documents' in New York at this period comes to be known as the cast-iron rule of many American manufacturers. Some, indeed, have listened to the reproaches of critics and have shown a tendency to be liberal to foreign customers, and as a result have met with financial losses. They soon realize that while refusal to grant credit may lead to loss of trade, indiscriminate credit granting is sure to lead to loss of money."

Credit Information Is Not Difficult to Obtain

With the growth of the American export trade American merchants and manufacturers have recognized the necessity of accommodating foreign buyers to some reasonable extent in the matter of credit. With the expansion of American banking institutions into foreign fields and the development of trade associations and other competent agencies the facilities for extending credit to foreign merchants have been bettered without imposing difficult burdens on those who extend it. A study of a bank's functions in connection with foreign trade, and methods of obtaining credit information will soon convince the beginner that doing business with a foreign customer is not as difficult as it may seem.

The American manufacturer who sent a form letter to a foreign customer in which the latter was asked to answer a number of questions regarding his financial standing is well

known. Needless to say, he was not compelled to wait very long for an answer in which the foreigner called attention to his impertinence. An exactly opposite policy was adopted by another manufacturer who sent a valuable shipment of goods to an unknown customer in Argentina without first investigating his credit standing. He never obtained payment for his goods.

Means of Obtaining Credit Information

No shrewd manufacturer will ship goods on credit to a foreign customer unless he has first made a full investigation regarding the merchant's financial standing. Where can he obtain this information? Is it reliable information? The manufacturer may obtain reports regarding the financial standing of a foreign prospect at home, or he may obtain them in the field to which he is asked to make a shipment.

The following sources for obtaining information in the domestic field are available to the manufacturer:

(a) The American mercantile agencies; (b) American banks having branches or correspondents in foreign countries; (c) Export Trade publications in the United States; (d) Foreign Trade associations in the United States; (e) Foreign exchange bankers in the United States; (f) American manufacturers; (g) Credit protection societies.

Among the foreign sources for obtaining credit reports on the standing of customers are the following:

(a) Banks in the countries where the proposed risk is in business; (b) Foreign mercantile agencies; (c) American Chambers of Commerce in Foreign countries; (d) American manufacturers' traveling salesmen in foreign countries; (e) Customers' own references.

It is possible now to obtain credit reports from almost every section of the world where there is business. The two large American mercantile agencies years ago recognizing the necessity of this function for American business interests, established branches and correspondents in various sections of the world where American business was likely to penetrate. American Foreign Trade associations, also, went into the foreign field to cooperate with American manufacturers and

exporters. These organizations established foreign credit bureaus for the collection of credit data which was available to all members. Other foreign trade associations recently organized are fast developing this department of their activities so that the element of risk in doing business with foreign merchants may be reduced as much as possible. Correspondents have been sent to all sections of the world for the collection of this data in the interests of the members of the various associations.

Procedure in Obtaining Reports

One organization goes about the obtaining of credit reports in this fashion: It organizes a corps of direct correspondents located in nearly every city and town of commercial importance in every country in the world outside of the United States. It endeavors to secure statements from firms inquired about, and when given, to communicate with their trade and bank references, at the same time having one or more of its own correspondents make independent investigations. Where firms refuse to give statements the business connections of the firm in the United States or Europe are communicated with. The testimony from all sources is sent to headquarters from where it is sent to the inquiring manufacturer. As the use of the mails frequently means too long a delay it has its own cable codes by which the essential information may be secured by cable at a minimum expense.

American banks having foreign branches or correspondents are, perhaps, the most reliable sources from which credit information may be obtained. It is to their interest that complete reports on the standing of customers in cities in which the American manufacturer may desire to do business, should be kept. An American merchant desiring information regarding the standing of a customer in Rio de Janiero should go to the American bank that has a branch or correspondent in that city. These banks will furnish the data if they have it on file provided they believe the inquirer will make use of their service in the financial transaction involved. If the information is lacking on that particular merchant the bank can easily obtain it by cabling. Unless the transaction in-

volves a large sum of money, however, this expensive procedure is not usually followed. In ordinary cases a letter will do just as well. It may require a month or more but not any longer than the time necessary to close a transaction with an overseas customer.

Banks in foreign countries may be addressed direct and generally an opinion is sent in reply to the manufacturer's inquiry. These banks generally give brief information, and additional reports are often necessary to supplement the data obtained from these sources. By piecing together all other information that has been obtained from various sources the manufacturer should be in a position to intelligently judge of the customer's credit standing.

The manufacturer's credit man should be a subscriber to all competent and available mercantile agencies. If one agency is unable to furnish the required information perhaps the other might. If the information cannot be obtained from any agency the bank might be able to furnish it.

The practice of asking foreign merchants to submit references from other fellow merchants is not generally the best method. The latter do not like to be disturbed, and the former ordinarily do not like to subject their fellowmen to such obligations. The manufacturer should take advantage of the regular channels—the banks, the established mercantile agencies, or his own traveling salesmen abroad—for such data.

What Is Necessary in Credit Information

The foreign customer is always a risk, regardless of the competence of the credit reports that the manufacturer may receive from the regular sources. Credit reports are merely opinions. They are not authentic reports containing a guarantee that the customer will pay when required. Much depends on judgment—judgment on the part of the manufacturer and his credit man. The latter must know his man, how he shall proceed in doing business with him, and how far he can trust him for merchandise obtained from the manufacturer.

The credit man must have the following information so that he may intelligently arrive at a decision:

(a) Customer's general trade reputation; (b) The approximate financial worth of the customer; (c) Whether he is an old established business man or a recent arrival in the field; (d) His reputation in meeting foreign drafts; (e) His reputation in meeting bills at home; (f) His general character and standing in the community.

These are only a few of the points that a credit report should cover. A good credit report can never contain too much information. The experienced manufacturer or exporter deems it essential to know the customer's reputation in meeting his foreign drafts. If his record in this respect is clean he is generally considered to be a good risk.

The credit man must remember that the foreign credit report will not be as complete as that one to which he is accustomed at home. Many of the essential details familiar in the domestic market such as capital, assets, debts, value of merchandise, etc., will be missing. Foreign merchants are reluctant to furnish this data. In some countries they regard the mere asking as an insult. The Latin American or Chinese merchants object to giving out reports of such a personal character. But the time is coming when the foreign merchant will recognize the necessity and value of making his business an open book for the perusal of American manufacturers, just as it is done in the domestic field. It must be remembered that American merchants had to be educated to this method of obtaining credit data. At first they furnished it unwillingly, but later when they recognized its value in their business they consented to give out complete reports.

Credit Standards Differ Abroad

Again quoting Mr. Wolfe: "Due to the difference in trade organization, the credit man will therefore not measure the foreign report to the standard of an average American credit report, either in size or in the quantity of definite data. No one in India or in Turkey or in many other countries can tell accurately what his neighbor is worth, and the neighbor won't tell. Some very good foreign customers will as soon divulge the combination of their safe to a chance inquirer as to state just what they are worth, to whom they owe for

merchandise, and how much money they have in the bank. Therefore, except in commercially well developed countries, such as Canada, the Continent of Europe, and the United Kingdom, and a few others, a report will be even more of a 'hearsay' nature than at home.

"In most foreign countries information regarding a credit risk will be the result of inquiry among the rivals of the risk, among houses supplying him with goods, among banks, wholesale houses, etc. For this reason it is wise to procure reports from more than one source. No one reporter, no one reporting office, will always ascertain all of the ascertainable data regarding a customer. This is not so important when the general gist of the report is in itself decisive for a given transaction. A report may read: 'X and Co. are one of the oldest and most honorable houses on this coast and have been in business for upward of 40 years. Their wealth is several hundred thousand pounds sterling.' This will fully suffice to a credit man considering the advisability of shipping X and Co. $300 worth of goods. Pages of most detailed data would not alter the fact. On the other hand, the report may read: 'Y & Z are a notorious firm of international swindlers, warned against frequently by consuls and others,' and the matter is settled again.

"These examples, of course, are extreme, but they tend to show that mere size is not the decisive element in a foreign credit report. What decides is not the number of words or details, but the clearness with which the actual standing of the customer is portrayed, enabling the credit man to come to a decision."

Long Credits Are Not Necessary in Export Trade

If one is to believe all the charges directed against the American manufacturer in connection with the granting of reasonable credit to foreign customers one would be tempted to visualize Uncle Sam as the "Shylock" of the export trade field. "The American manufacturer demands his pound of flesh" is a statement that is becoming very common to our ears. Travelers arriving home from foreign countries bring back stories to the effect that American merchants are losing

business because of their refusal to extend liberal credit to prospective customers. The newspapers are full of such stories. Yet if these individuals who innocently bring back these reports would only sit down and study the methods employed by other great exporting nations they would readily become convinced that this seemingly "distasteful" policy is not peculiar to the American manufacturer alone. Other countries will not grant credits indiscriminately, but when they do offer accommodations it is always with the cooperation of banks engaged in financing foreign trade, and usually when these foreign merchants are playing the role of exporters with branches in other foreign countries. In direct dealings with foreign customers, however, it will be found that the German or British manufacturer is just as reluctant in extending credit to an unknown foreign importer as the American manufacturer. The latter cannot afford to tie up his capital for an unreasonable length of time. He does not do it if he can help it. It is generally true that credits of 90 days are considered satisfactory in foreign trade but credits over that period are exceptional, even among foreign international traders.

While it is true that Germany and Great Britain—Germany in particular—are accustomed to extend the most liberal credit terms to overseas customers it must be remembered that this practice has been confined to those countries in which unusually longer credits are required than in other sections of the world. For instance, trade between Germany and the United States has generally been on a cash or short term credit basis. The reason for this is obvious. These two countries are highly developed, and actual payment for merchandise does not depend so much on transitory conditions. In dealing with countries whose point of development is still below a satisfactory margin, however, it is quite necessary to be more lenient in the matter of payments.

German exporters have taken these factors into consideration, and consequently we find in many cases that extremely liberal credits have been granted to customers in certain quarters of the globe such as Latin America, certain parts of Africa and the East Indies.

The customary length of German drafts on over-seas countries before the war was as follows:

South America: 3, 4, 6, 9, and 12 months; most frequently 3 to 6 months.

Central America: and West Indies: 4, 6, and 9 months.

Australia: 30, 60, 90 and 120 days.

China and Japan: Mostly 3 months; also 2, 4, and 6 months.

Dutch East Indies and Straits Settlements: 30, 60, 90, and 120 days, up to 6 months.

British India 30, 60, 90, and 120 days.

South Africa: 60, 90 and 120 days, up to 6 months.

Northern Africa and Asia Minor: 4 to 9 months.

It will be noted that length of credit varies with the character of the territory in which the importer may be doing business.[1] Even now, however, as is mentioned elsewhere in this chapter, there is a general movement in all quarters for the elimination of this long credit evil. In Germany protests have frequently been made against a too liberal policy in this respect. British exporters are frowning on the idea. The general thought seems to be that the customers who are constantly asking for time are those who may be less desirable on the books of the export merchants. It is doubtful whether this loose policy will be renewed unless competition becomes so strong among the nations that they will again become reckless in making special

1 "Generally European houses allow credit of at least six months. If Colombian merchants could obtain the same terms from the United States this would be an important factor in increasing the business between the two countries. It is suggested that if the United States merchant cannot grant easier terms it would appear to rest with the American banks to afford the necessary facilities in the way of discounting drafts, etc. These banks when collecting should grant easy terms, because in Colombia payments are not usually very punctual; this does not mean that the acceptance of the draft is not good, but there is considerable latitude in Colombia in the matter of paying drafts. The intermediaries do not care to assume responsibility nor to take the trouble to protect the drafts, as the procedure is not so rapid or convenient as in other countries. Moreover as the majority of the drafts that reach Colombia from manufacturers are small, the banker who collects has more work than a banker in another country and has to charge a higher commission.

"Most of the importations into Bogota are on a credit basis, through the medium of commission houses who draw on the customers at 120 or 160 days. American manufacturers, with some exceptions, do not care for this kind of business and usually demand payment against shipping documents in New York, which is not generally acceptable to the merchants of Colombia. The latter are required to place the money in New York at the time they order, and manufacturers some times delay months in filling the orders with the result that the money loses interest in Colombia, where rates are high.

"Of late large interests in Manchester England, have been cutting down the time granted on sales in Colombia by giving only four months instead of six months and upward."—Bureau of Foreign and Domestic Commerce Special Agents Series No. 160.

offers of credit to prospective customers in order to get their business.

The Necessity of Credit To the Foreign Buyer

The problem of credit will always command the most serious attention of the exporter because of the varied factors involving transactions of this character in dealings with foreign buyers. As Mr. W. E. Tarlton, export manager, Brown Shoe Co., said at the Fifth National Foreign Trade Convention:

"I feel that we are all agreed that credit has been one of the fundamental necessities in the development of our present, almost perfect commercial structure, and if it has been necessary in order to mature the commercial life of any nation, it is equally necessary to produce like results in all nations. Some of the countries that represent today the most lucrative field for American products have an insufficient home capital for the needs of their logical commercial interests and the simultaneous development of their own natural resources. Merchants in such countries are compelled to play a most important part. They are of necessity forced to place goods with the consumer on credit, due to the fact that returns yielded on invested capital from agricultural enterprises (which, of course, go to make up the principal industries of these less developed countries), while liberal, do not occur at sufficiently rapidly recurring intervals to permit cash transactions. These same merchants or importers are also called upon to advance heavily for freight, duty, landing charges, and etc., and unless credit is extended, they are not in a position to buy freely. In sparsely settled countries these same merchants in many instances, are also bankers and as such are hampered at certain seasons of the year for ready cash. The long delay in securing imported merchandise due to transportation difficulties. manufacturing delays, etc., necessitate the importer in these countries carrying larger stocks than would be necessary were supplies available in shorter time.

Lack of Stability in Exchange a Factor

"Another unfailing argument in favor of credit in some nations is the lack of stability in exchange rates. The seasonable exchange fluctuations in some of our Central and South American countries are to be seriously reckoned with and are a constant source of

annoyance. I earnestly look forward, however, to the day when some master intellect among our banking friends will offer a satisfactory solution to this ever-perplexing problem.

"Competition is also a much used, possibly abused excuse, especially in the mouths of leaders of industries new in the practice of exporting, and is quoted freely as a cause for the extension of credit in foreign countries.

"Credit is and always has been an absolute necessity. Remove the principle of credit from our daily commerce and you leave only a trifle over $10,000,000,000 of protected currency or cash in the coffers of the world, and as daily transactions between buyer and seller represent a volume hardly measurable in the terms of dollars and cents, you can quickly appreciate that business would be so materially curtailed as to completely nullify the commercial efforts of the past hundred years or more. The safe, sane credit systems and practices now prevalent make possible the magnitude of the world commerce which we now enjoy.

Considerations in the Formation of Credit Policy

"I have always liked to feel that there was a certain obligation on the part of the business houses to take their place in the game as a whole by extending credit to an amount commensurate with the volume they were enjoying and the returns or profits they seek.

"Manufacturers anticipating a permanent export business must, of course, in the fulness of time, decide upon some definite policy regarding the subject of credits. As a rule there are three points to consider:

"(a) Your product, and if perchance, you are producing such goods as are non-competitive you are fortunate indeed, for in that case you can of course, insist upon such terms and prices as you want. If, however you are producing articles that are subject to competition you will find yourself face to face with the problem of doing as the Romans do.

"(b) You must consider your market and the requirements thereof as to credit. The various markets of the world have established rules, some of which have been in existence for many generations, and these people will be slow to change from these rules simply as an accommodation, as they put it, to American inflexibility.

"(c) Your buyer must be reckoned with, and he will, of course, consider cash transactions only as a last resort. His first thought is whether he is in a position to pay in advance or whether his means are such that he must have credit. No truer remark has ever been made on this subject than was made by an exporter before this convention in New Orleans in 1915, who said: 'The question of credit is one of the difficulties with which exporters have to deal, but if you want to export at all your credits must be handled in the same intelligent way and along lines not fundamentally dissimilar to those employed in dealing with our domestic trade.'

"American exporters have been harangued by writers of various creeds and tongues, even American writers, for their frigidity of terms, and in contradistinction thereto mention has been made of the liberality of Germany. We, of course, have today our ideas as to the extent of Germany's liberalities. England and other exporting countries have been extolled and their praises sung. We have been told of their philanthropy of their enterprise, of their investments made for pioneering enterprises with no desire for return except as a benefit to their country as a whole, but all of this is quite misleading. True enough, in your experience as exporters, you will find that in many instances long terms have been granted and liberal terms extended by manufacturers in these various countries, but analysis of the situation will invariably show that these long terms and liberal credits have been extended only after careful investigation and after applying the same general rules that should always govern the extension of credit of any character. Even our so-called 'American' cash terms are quite freely indulged in by our competitors in international trade, and more often than otherwise are demanded by them. Conservatism pervades the mind of every intelligent credit grantor, whether he learns it from an American business primer or from an English, French or Dutch. The short terms principle which, I admit, is desirable by every American manufacturer, is fundamentally sound, ideal and, in fact enviable and the time is ripe for a forceful attitude toward short terms, especially in lines of quick turnover possibilities and commodities.

America's Future
Credit Policy

"Up to the present time it has not been expedient nor necessary that we should place our goods in foreign fields on long terms or under a system of loose credit. In fact, it has not been necessary that we sell our goods to foreign countries at all except where it could be done on an extremely profitable basis, and long terms and profit are not compatible unless they are accompanied by a mediator—long prices. Implicit faith in American business capacity and ingenuity prompts me to feel that we can and will overcome any and all competition, however, when once we have found it necessary to do so. The manufacturing capacity of the United States has heretofore just about equalled our demand, but, of course, we are beginning to realize that there will be surplus production so soon as the high peak load toward which we have been so fast climbing is reached.

"That we, as exporters are willing to grant credit is an irrefutable fact. One hundred and forty-one representative firms were asked the question, 'Are you granting credit to concerns located in countries other than our own?' One hundred and ten replied affirmatively, thirty-one only were insisting on cash in every instance. Our American firms are as able to extend credit or better able, in fact, than any competitor we have. We have the financial strength, and when the propitious moment arrives and a reasonably substantial basis for credit can be shown, we are perfectly ready to extend the necessary credit. Importers of our goods, however, must know or be taught, if they do not know, that merchandise on credit costs more; that short terms are economical, sound, and safe; that long terms and the pernicious abuses of credit which have been so prevalent in some countries should be wiped out at this the most opportune time of all history.

"Up to this time I have not attempted to differentiate between the term 'open credit' and 'time acceptances.' Both are credit, one extremely hazardous, the other considerably less so. There are, of course, sound, honorable business men in every civilized country in the world, and I for one, deeply appreciate the truth of this; but these qualities are most loudly extolled by those whose close, first-hand knowledge and experience are not represented by many years of actual, open-credit relationship with merchants in foreign countries, and I mean it as no reflection upon these merchants when I warn against open credits. It is a policy only to be dealt with with eyes wide open and after a thoroughly comprehensive and efficient investigation and a compilation of complete, satisfactory data.

"Open credit is based solely upon confidence. Confidence is the result of one's own or someone else's experience and should only be dealt in when one is familiar with the details of such experience.

"There will come times, in the experience of every exporter who does any volume of business to speak of, when he must extend open credit or lose profitable business, and in many cases, under any and all sorts of circumstances, and in most any country, some open credit can be extended with no more attending dangers than is average with any well organized house, even though dealing exclusively with domestic trade.

"Summarizing, I have attempted to show what credit is—to show also that it is vitally essential to the development of big business, either domestic or export; to show that manufacturers must decide upon their credit policy; that as a Nation we are willing to extend credit and are financially able to do so; that we should not extend long terms, but that we should apply to the extension of credit to merchants in foreign lands the same intelligent rules that have built up the fabric of commercial credit in our own country. We need badly further help from our enormously large financial institutions. They, at least some of them, have had the vision and are bending every effort toward promoting the interests of American exporters. We need also serious study on the part of our legislatures toward expansion of foreign trade interest, but, greater than all these is the need that the mist of indifference and business apathy be removed from the eyes of our manufacturers that they may not only see the benefits that will accrue to them as individuals by closer study of this vital issue, world commerce, but that they may consider it a duty to interject their energies into it so that a nation may become a real factor. It is not enough that we buy and sell to one another, we must likewise buy from and sell to other countries, as only by so doing can we contribute to the economic growth and expansion of the United States. The time is ripe, American goods are favorably known in every quarter of the globe. With the cessation of hostilities in Europe and the assurance of open seas and world wide democracy, with an Amercan merchant marine

commensurate with the standing of our country opportunities will be far in excess of any we have previously had."

Movement to Discourage
Use of Long Credits

With changed conditions brought about by the end of the war, and the world settling itself down on a more substantial basis there has grown a movement in which bankers, and exporters, and importers alike from all parts of the world are sharing a part to discontinue the economically unsound policy of extending unreasonable credits. Buyers who have been accustomed to obtaining the most favorable terms from manufacturers and exporters are already beginning to recognize the advantages of doing business on a cash or short term basis. Purchases under such conditions usually mean lower prices and better discounts. Reliable reports to the effect that large numbers of buyers may be found in the principal ports of the United States with ready cash for purchases of American goods for their foreign clients seem to indicate that a step is being taken in this direction. With the development of the machinery of financing foreign business, however, the American manufacturer can look upon the business of developing trade in foreign countries on reasonable credit as involving as little risk as at home.

Export Credit
Insurance Plan.

As the necessity of obtaining reliable credit information from foreign countries is increasing with the tremendous growth of our trade there have been advanced within recent years various plans aimed to solve the problems of credit managers in connection with foreign business.

Perhaps, the most substantial plan is that which has been recently developed in Great Britain. This plan involves the insuring of the payment of bills in export transactions.

There are two export insurance schemes in operation in Great Britain: (a) the British Government Export Credit Insurance, which is carried on under a department of the Board of Trade known as the Exports Credit Department, and (b) a second scheme consists of two private companies, the British Trade Corporation and the Trade Indemnity Co.

Under the plan of the British Government Export Credit Insurance the seller of British merchandise to merchants in the new States receives immediately a certain portion of his bill, even up to 80 per cent. The whole transaction is carried on directly with this branch of the Board of Trade, which has arranged with the banks of the United Kingdom, through their head offices in London, to scrutinize the shipping documents and report in a note as to the reputation of the buyer as well as the seller, so far as can be ascertained. The buyer is not given open credit, but must pay for the goods in the money of his country at the rate of the pound sterling exchange before the goods are delivered to him. The banks in the United Kingdom do not handle any of the funds, the whole transaction being carried on in the foreign country through the branches of the Government department, the banks acting only as information bureaus.

The object underlying the project is to help these new States organize their foreign trade and at the same time to build up a sound British business with these countries. The requirement that the goods be paid for in the money of the country of purchase will, to a large extent, eliminate losses and will build up a trade with only such firms as have substantial financial backing.

Terms Upon Which
Insurance is given

The British Government is prepared to consider applications for advances up to 80 per cent of the cost of the goods, plus freight and insurance, for goods sold to

Finland:
The Baltic Provinces (Latvia, Esthonia, and Lithuania);
Poland;
Czechoslovakia:
Jugo-Slava; and
The areas in Russia to which the scheme for insurance against abnormal commercial risks applies;

subject to the following conditions:

1. Documents are to be surrendered to the buyers against their acceptance of a bill in sterling drawn by the sellers for the full amount of the invoices, together with security (see next paragraph). The Government will release the drawers from any recourse against them for the amount of the advances made.

2. The purchasers must agree to take up such documents against a deposit of currency calculated on the basis of the market exchanges, such deposit to be made with an approved bank in the country of purchase and to be held as security for the due payment of the bills.

3. When the advance is needed, the relative documents will have to be accompanied by a letter of guaranty from an approved bank of the country of purchase, stating that the documents will be promptly taken up against such deposit of currency and undertaking that the amount of such currency shall always be maintained at a figure sufficient to give a margin of 15 per cent. over the value of sterling as based upon the exchanges (not upon the official exchanges, if any). All applications accompanied by a bankers' guaranty of sterling payment at maturity of the bill will receive preferential consideration.

4. The department will consider proposals for a deposit of produce or securities instead of currency.

5. The advances made by the department will be a first charge upon the proceeds of the bills and securities; but, if such proceeds are less than the cost, plus freight and insurance, the loss represented by the difference will be divided between the department and the drawer of the bill in the proportion of the advance made to the cost (plus freight and insurance).

6. The credits are to outstand only for such periods as the department may determine in each case at the time of application for the advances.

7. The Government will settle from time to time the countries and goods to which the scheme relates, but advances will not be made for the export of raw materials and preferences will be given to the finance of goods where the larger part of the cost is due to manufacture in this country.

8. All applications must be passed to the department by the bankers of the sellers, whose recommendation must be attached.

9. After satisfaction of the advance the bill and securities will be handed to the seller if payment of the full amount of the bill has not been made.

10. At any time after maturity of the bill or after any default the department will be entitled to close a transaction and hand over the security held, the seller bearing his proportion, as indicated above, of any loss incurred.

11. The conditions set out above may be modified at any time in special cases.

The British Trade Corporation's Plans

The British Trade Corporation, on the other hand, has formed a subsidiary company which may possibly develop into an undertaking of importance to British commerce all over the world. The new undertaking is called the Trade Indemnity Co., and its subscribed capital, which is entirely owned by the corporation, is 100,000 pounds, of which 20,000 pounds has been paid up.

"The object of the new company is to assist British merchants and manufacturers in developing overseas business, by insurance," it is explained by a London firm to an American consul. "Policies are issued insuring the payment of commercial debts, thus enabling an exporter to increase his present volume of trade without incurring greater capital responsibilities. Under approved conditions the company will advance to the assured the amount of its liability in respect of any debt insured, against transfer of the debt, and payment of interest on the amount advanced, until the net outcome of an estate is ascertained. The company grants policies insuring up to two-thirds of a client's whole turnover against ultimate loss. Policies are also granted to cover a proportion of such losses as may arise should a forced resale of goods become necessary in consequence of buyers becoming insolvent and thereby unable to take up shipping documents. The company likewise grants policies insuring against a proportion of trader's losses in any one year in excess of an agreed percentage of loss on turnover to be borne by the assured. The company is also prepared to grant policies insuring approved accounts up to three-fourths of the amount of a debt.

"These last-named policies, insuring specific accounts will be issued on three different bases. Under policies issued under basis A the company will pay to the assured an agreed proportion of the net loss after the debtor has become insolvent and all dividends recovered or ascertained. Under basis B the assured will receive within seven days after satisfactory proof of insolvency a sum equal to 13. 4d. in the pound [$3.24 in each $4.87] on the proportion of the debt insured under the policy, in full satisfaction of the liability of the company; but the assured, besides re-

ceiving this certain payment, will be entitled to any dividends that may be forthcoming. Under basis C the company will undertake to pay to the assured, in the event of the dishonor of any duly accepted bill, an agreed proportion of such bill as is covered by the policy within a few days of satisfactory proof of such dishonor and assignment of the debt to the company. Any amount collected by the company from the estate of the defaulter in excess of the amount paid by the company, plus interest and charges, will be returned to the assured.

Development Has Taken Many Years

"The development of a basis on which to establish a system of insuring trade credits has taken many years. For perhaps a century or more the principles of insurance on a mutual basis were carried out in the form of sharing or pooling credits. This was confined to one or two trades where it was deemed necessary for self-protection for a number of merchants to participate in some commercial venture in which the magnitude or the dangers were more than usual, but where the prospect of profits was also of a nature to encourage the merchant's taking the extra hazard.

"Between twenty and thirty years ago several institutions promoted schemes for guaranteeing the payment of bills of exchange, but made no discrimination between trade and accommodation paper. No definite system, however, matured from these efforts, and with one or two exceptions the insurance and trust companies stopped this class of business entirely. In America a certain amount of success followed a scheme based on the 'credit ratings' of Dun and Bradstreet, but these ratings books were apt to put a material limitation on the granting of credit and if anything tended to a restriction of trade.

"The Germans had a somewhat similar system, based on a Government information bureau. It was, however, too complicated to encourage its general use, and very few availed themselves of the scheme, except as regards the export trade—in which, previous to 1914, it was being taken up and encouraged by the banking houses. In Germany, however, the bankers' readiness to discount bills of exchange without recourse to the drawer was largely doing away with the necessity of guaranteeing payment of credits. This accommodation to the merchant was of great service, as the

seller was relieved of his liability, and his transactions were brought to a cash basis, thus enabling him to increase his turnover on a much smaller capital than would otherwise have been possible. In England also it was possible to discount trade bills, but this venture was and still is in the hands of foreign bankers.

"The discounting of insurance of bills of exchange was found quite inadequate to meet the requirements of the merchant and manufacturer. By far the greater number of credit transactions were effected without the use of bills of exchange, being simply the allowing by the seller of an open account to the buyer. A syndicate of Loyd's underwriters formulated a policy to cover this class of risk. It was recognized that with bills of exchange a definite "proof of debt" existed, but with open-account transactions certain difficulties presented themselves. These were overcome by granting a somewhat lenient form of policy and trusting to the good faith of the assured.

"The demand for credit insurance,with the comparatively simple forms, adopted by the underwriters, grew very rapidly. The merchant immediately recognized its utility, and although the business was conducted without any of the usual methods of publicity it became of great service to both the home and the foreign trader. It was obvious to them that they could extend their trade without increasing their capital. It gave the merchant greater confidence in entering foreign markets with which he was unacquainted, and in many instances he was enabled to build up a trade that would otherwise have been impossible without material help from his banker at a cost (represented by a premium paid) much less than that necessary for actual bankers' assistance. A cautious merchant also benefited by being enabled to grant larger credits without disturbing his ideas as to the limitation of individual credits and, as more than one merchant observed, "without forfeiting a night's rest" by jeopardizing his own financial resources.

"This system of insurance also greatly facilitates the opening of new accounts, both home and foreign. The independent sources of information possessed by the insuring company, added to reports obtained by the seller, invariably tends to strengthen the confidence necessary for the conducting of commercial intercourse between buyer and seller.

Premiums determined
By Nature of Risk

"Many methods of insuring credits have been tried, and the conditions of the policies granted have varied materially. The insurance of specific accounts is perhaps the most useful and most generally adopted at the present time. Under this form of policy the applicant must submit the names of the customers whose accounts he desires to cover, and furnish the insurance company with the approximate amount of credit he proposes to grant each customer and the terms of the credit. The premiums quoted by the company are based on the merits of the proposal. It would be impossible for the company entertaining this class of risk to fix a tariff except on a very broad basis, as it must readily be seen that the standing of the customer, the period of credit, the country in which the customer is domiciled, and many other factors must influence the rate of premium.

"No hard and fast policy has yet been drawn up, nor is it possible to devise a simple form to meet the various needs of the commercial community. In specific accounts insurance alone three forms of policy are generally used: First, a policy to cover bill-of-exchange transactions up to a special turnover; second, a similar policy to cover open accounts; and, third, a policy to cover a specific period (usually 12 months) against the event of the insolvency of the customer occuring within the agreed period. In the third form the policy is issued for an amount which the applicant estimates to be the largest figure that will be owing by the customer at any one time, and no account is taken of the actual turn-over.

"Until quite recently the proportion of the risk entertained has been limited to one-half, but, with more experience to guide the underwriting company, this has been extended to three-fourths, and there is no reason why ultimately the insurance company should not act as the exporter's guide and accept the whole 'del credere,' but this would mean a much closer mutual understanding than at present exists."

In 1916 the Associated Chambers of Commerce of Great Britain adopted formal resolutions asking for some form of insuring foreign credits, but it was then thought that the idea would not be practical. British bankers criticised the plan on the ground that a commercial bank should not conduct credit insurance or purchase bills "without recourse," because of the high

proportion of "mercantile risk" involved with the risk of the purely financial and personal credit of buyer and seller in transactions. This criticism was supported by quite a number of bankers whose opinions were asked on the subject.

Special committees representing various trades appointed by the Government's Board of Trade to study after-war problems took up the matter of studying the resolutions of the Associated Chambers of Commerce with the result that the official reports of these committees influenced the semi-government body which established the British Trade Corporation, to incorporate an insurance feature in that institution's program.

In connection with this British effort to assist its exporters by establishing some form of credit insurance. "The Americas," the publication of the National City Bank of New York City says:

"Some idea of the probable working of the British plan may possibly be obtained from the official recommendations of the committees. They asked for a guarantee of specific bills, based upon the credit of the foreign consignee. It was particularly stated that the British trade corporation should organize a complete credit survey of foreign countries, obtaining much of its information from the commercial banks, which, the committees thought, would be willing to keep the corporation informed about the credit of foreign firms, inasmuch as its insurance facilities would probably assist them in their banking business, if such information were kept in confidence. And upon the information thus gathered, the corporation ought to be able to found very accurate averages of credit experiences, and by varying from the average in the case of individual foreign consignees, quote a premium on specific bills in case of business with them. The committees regarded it as a probable business development that British exporters would be able to charge the insurance premiums to the customers, offsetting the charge by the reduction in the price of the goods which being insured of immediate payment would enable them to make. In the course of the report of the textile committee it was stated:

"It has been brought to our notice by several witnesses, though we have not been able to obtain any reliable details on the subject, that there exists in Germany a form of insurance company which is willing, for a commission of about 4 per cent. to guarantee approved long-dated bills of foreign trade. Thus, for instance, this German company is said to guarantee to the German

manufacturers the due payment of bills accepted by Russian purchasers.

"The existence of such a financial institution would, undoubtedly facilitate the granting of credit in the export trade. The insurance company would be able, by its agents and branches, to have on its books firms in foreign countries to whom they would be able to give an insurance credit of a certain amount so that the intending purchaser, at the time of his purchase, would be able to say that the credit asked for would be guaranteed. The endorsement by the insurance company of the bills given would make them largely marketable securities, and would, when they approach the last six months of maturity bring them as negotiable instruments within the discounting functions of the ordinary joint stock bank. The functions of such an insurance company could well be covered by the British Trade Bank. It is a business which requires the greatest care and skill, but should be quite possible of attainment. The main objections would be that a firm of standing asking for credit would probably not be willing to consider that they should be guaranteed, because, in fact, the cost of the guarantee would fall upon their purchase. We attach great importance to the establishment of the finest possible financial intelligence department in connection with the proposed British Trade Corporation, so that traders in this country and the Colonies may not be dependent on competing countries for information, which is absolutely essential if credit is to be given with reasonable safety."

London Paper Explains
Credit Insurance.

The "London Times" in its issue of Aug. 16, 1919, commenting upon credit insurance and its bearing upon foreign trade gives a very clear explanation of the operation of credit insurance. It says:

"Insurance of credit seems promised an important place in both oversea and domestic commerce. The way in which it would facilitate over-sea commerce may be illustrated by an example. An English manufacturer may be offered the business to an importer, say, in Brazil, on the strength of six months' credit. He himself knows nothing about the financial standing of the firm in Brazil. He would therefore go to an English insurance institution which would be in communication with a similar institution in Brazil. The Brazilian institution would investigate the credit on the spot, and, if it found the credit satisfactory, the institution would be expected to retain part of the risk and receive a pro rata proportion of the premium. The English institution would complete the transaction by giving the English manufacturer indemnity to the extent of three-fourths of the sums insured. The Brazilian exporters could likewise insure their British credits.

"The Brazilian exporter might have no means of knowing the financial standing of the importing house in the United Kingdom, but he could cover himself by insuring through a British office, which would be in a position of having, or being able to secure, accurate information. Precisely the same sort of transaction would take place in connection with trade between Great Britain and the Scandinavian countries, or, indeed, any other countries in the world.

"By such methods as these an intelligence system of an extremely valuable character would be gradually evolved for the benefit of international trade. The system would be greatly strengthened by reason of the fact that all the correspondents in supplying information would have a direct, substantial interest in its accuracy. The development of such a scheme would relieve manufacturers of much of the worry they now experience in respect of the credits they may give, and it would allow them to devote themselves more freely to their principal business, which should be the improvement of their production. It would not relieve them altogether of thought respecting the financing of their business, since they would still be required to bear a proportion of the risk. But for this proviso they would obviously be encouraged to reckless trading. Many cases are known in which merchants have refused to bear even 50 per cent of the risk and wanted to insure the whole of the credit.

"Another example may be given to show the working of credit insurances. A has been in the habit of granting moderate credit by supplying goods to B, a customer domiciled at home or abroad. B wishes to increase the credit received from A, possibly in consequence of the present higher level of values. A feels that, considering B's capital, the larger credit is more than he is justified in giving. A has no reason to doubt the bona fides or the solvency of B, but, as everyone else, he likes to limit his risks.

"A goes, therefore, to the insurance company, explains the position and is at once asked: "Have you contracted to part with your goods to B?" If the answer is "'Yes," then the company declines to insure. If the answer is "No," the next step is for the company, by various means at its disposal, to make inquiries as to B's standing. Assuming the result of these inquiries to be satisfactory the company grants an insurance for a percentage of the debt, leaving A to carry the balance at his own risk.

"The consequence is that A, assuming a share of the risk, has proved that he believes B to be sound. The insurance company, through its own inquiries has confirmed A's opinion. The two parties consequently have checked each other's information. If ever they should prove to have been wrong and B fails then the procedure will be for the insurance company to see that the claim is a proper one. There are certain traps to avoid. It might be that, although A has agreed to bear part of the risk, he has not really done so, for there are various means, such as holding some secret security or having some set-off against the debt by which this state of things could occur. Strict clauses are necessary in the policy to insure that A really does share part of the risk. Otherwise the safeguard of the double opinion referred to above is nullified.

How Losses
Are Settled

"Supposing the loss is found to be in order and is admitted by the insurance company, then it must still be borne in mind that the company is an insurance office and not a bank. The marine underwriter does not pay a total loss in respect of every ship which runs ashore. He first sees what, if any, is the prospect of salvage. He pays the final loss only when ascertained. So, too with credit insurance; it is the final loss which is payable. Obviously there must be finality. It has therefore been the practice in the past to settle the loss either six months after the default or when the assets have been realized, whichever date is the earlier. This procedure is really the same as that followed with all kinds of insurance, and no doubt A's banker would finance him, if necessary, in the meantime, on the security of the insurance policy.

"The foregoing is a brief outline of the foundations on which it would seem credit insurance should be based. There are many varieties of it—the insurance of bills, of open accounts, and of the whole of the firm's debtors—and these call for different forms of policies and different arrangements. Of course, difficulties will have to be faced, but no reasonable grounds exist for delay in furthering such a scheme. The present time, in addition to the extreme urgency of encouraging export trade, is particularly appropriate for developing it, since British banks are now opening branches abroad, and it is hoped that the banks will be willing to lend their support and even take a direct interest in the promotion of the necessary institutions.

"If credit and debts were known to be ultimately secure, that scramble for safety which causes a financial panic would certainly be moderated, and possibly prevented altogether. Insurance has already done immeasurable good for the community, and in this direction of safeguarding credit a brilliant future of public service would seem to be before it."

Relations Between
Merchant and Underwriter.

The "Times" in a subsequent article continued its discussion of credit insurance, with particular reference to the relations between the merchant and the underwriter:

"In a recent article which was published describing the present conduct and prospects of credit insurance, an example was given of a merchant who was asked to extend the credit given to another firm, in the shape of goods delivered, and approached an insurance company in connection with the proposal. The point was made that the first question put by the insurance company would be whether the firm had contracted to part with the goods, and that if the answer were in the affirmative, the company would decline to insure the credit. If, however, no such contract had been made, then the company would proceed to deal with the proposal.

"As the reason for this line of action is often not fully appreciated by business firms, it will be useful to explain the principle. The position is somewhat analogous to the procedure

in marine insurance. It is assumed in the case of a ship or goods which it is intended to send by vessel, that when the insurance is offered the voyage has not been started. In practice, cargo is sometimes insured after a voyage has commenced, but that is because the goods may have arrived shortly before the vessel left port and the merchant did not expect that the shipment would be included; but in all such cases the fact is one of which underwriters expect disclosures.

Marine and Credit Insurance Practice.

"When the State war risk's scheme of insurance was in operation the government office, as a general rule, would not accept the insurance of cargo by vessels which had left port, although in the later days of hostilities this attitude was modified to the extent that voyages between ports supposed to be comparatively safe were occasionally accepted after the ship had started. As communication on commercial matters during the war was exceedingly difficult and the merchants were constantly without late news of their goods, such belated insurances were frequently offered to underwriters and insurance companies. Often, partly because by that time an underwriter or insurance company might have a full line on the vessel or cargo, higher rates of premium had then to be paid. Presumably the decision of the government authorities not to accept insurances of this kind was based on the argument that the proposer might have had later information. There was the possibility of superior information. For instance, a merchant might have reason to believe that a submarine had been operating in the vicinity of the ship and so might desire to increase his insurances. In any case, the venture had started.

"So in the case of credit insurance. The time for effecting insurance is before the risk commences. The proposer is assumed to have no superior knowledge than the insurance company to which he submits the risk. All the knowledge which he may have at his disposal respecting the standing of the customer to whom he is proposing to extend the credit should be at the disposal of the insurance company. Also, he undertakes to bear a proportion of the risk himself, thereby proving his good faith. Once he has undertaken to part with the goods, or has parted with them, the risk has started; in the same way as the risk starts in the marine insurance when the vessel sails from port.

"In many trades there are no written contracts, and so the time when the manufacturer or merchant parts with his goods is the 'vital' moment. In other trades the important moment arrives when a contract is signed or a signature is placed to a letter accepting an order in which definite terms are specified. If he does not approach the insurance company before this 'vital' moment—i. e., when the risk commences—there is a feeling in the underwriter's mind that some information or rumor may have reached the proposer which may have led him specially to seek protection. The proposer may thus have some ulterior motive in desiring insurance which is not known to the insurance company.

How Business Volume Affects Premium Rates

"'The attitude of the proposer for credit insurance should be that of a man who is offered a new position and seeks a safeguard of insurance to enable him to accept it. It is on such lines that a very large business should be possible, to the great advantage of British oversea commerce.

"During the war business in the European countries was conducted mainly on a cash basis. There are signs now, with a very gradual reversal of commerce to peaceful conditions, of credit being frequently asked. British firms must in many cases be prepared to give it or let the business go to countries where it may be obtained. The position of British firms will be very much simplified in granting the desired credit by being able to secure the assistance of British insurance companies in bearing a large proportion of the risk.

"The larger the volume of credit insurance transacted the lower should be the level of premium's tend. Naturally, in cases where the merchants only offer to the underwriters a small percentage of their business that gives them particular reason for uneasiness. Higher rates are apt to be quoted than when the underwriters are offered a large volume of business, including risks of varying character."

Credit Insurance in Germany

The need of further facilities of credits is recognized in Germany, as the merchants of that country have been working on plans along the lines adopted by Great Britain. Dr. Emil Herzfelder, director of the Hermes Insurance Bank, which combines a limited credit insurance with discounting, says in a recent article:

"The establishment of a separate insurance company is warranted on the ground of increasing necessity. As a result of the recent inflation credit relations have become much more uncertain, and in some places the amounts of credit have rolled up to such huge sums that the striving for the thrusting off of a part of the risk upon shoulders more capable of bearing the burden is lively. Cases are growing more and more numerous in which it is not the creditor but the debtor who requires a guarantee of a third party. The employment of credit as capital for merchants and manufacturers who are efficient but lacking in funds, in the rehabilitation of their concerns, obviously seriously affected by the war, will open up another sphere of activity to the new company in the period of transition and also later on."

Credit Insurance Not New Device

Certain forms of credit insurance have been in existence not only in England and Germany for many years, but in America as well. Thus says "The Americas:"

"In Germany insurance banking has been carried on by private merchant bankers just as the acceptance by proxy through established London houses of world-wide credit for a consideration gave rise in London to the 'acceptance' as we have just begun to know it in this country. These German firms, strongly entrenched in Hamburg, are the ones referred to by the British committees and their operations are very well known. For a consideration bearing from one-tenth of one per cent to four per cent of the amount involved they would assume the risks of overseas merchandising credits in almost any manner that could be asked of them.

"A German manufacturer or trader, with a transaction pending, was able to go to one of these houses and obtain an option upon his guarantee of the credits involved at a fixed rate. He could go on with the transaction or not, as he saw fit, but he could figure exactly on the financing of it, because the Hamburg insurance banker would give him a rate for guaranteeing the paper at once, so that he could rely upon an absolute sale of his bill for cash immediately, and figure upon that. Or the insurance banker would offer to discount without recourse, or buy his bill outright. If the exporter was willing to wait till his goods reached the purchaser, who would accept them and thus eliminate the 'mercantile risk' of a miscarriage of the trade, the insurance banker would take his paper, with only the customer's liability to become insolvent or shirk his debt, at a much lower rate. He would give the German a particularly easy rate if he only desired insurance on half the risk and carrying half the credit on his own account. He would also insure credit transactions on "open account" and sometime make a cash arrangement in connection with these. The great German commercial banks have erroneously been credited with giving German export business the services as a matter of patriotism. They may have taken bills of favored concerns 'without recourse,' but they did not give the privileges to ordinary German manufacturers. It was the insurance bankers who did this, and they charged for it and made a lucrative business.

Kind of Credit Insurance Needed

"In this country we have had a system of domestic credit insurance which, however, would not serve the purposes for which exporting manufacturers now demand the new facilities. Our credit-indemnity companies have insured the selling merchant against excessive losses from all his transactions, or from a fixed aggregate of transactions covering a certain period of time. To do this, they commonly make an examination of a merchant's records and arrive at an average of his credit experiences. They study his line of business and his methods, also his customers. They then offer him a contract, with restrictive conditions he must live up to in granting credits, by which for a certain amount they agree to indemnify him for losses running in excess of a certain percentage of his gross business. They thus virtually insure him against excessive losses

from changes in general economic conditions, etc., rather than from the particular losses from specific transactions.

"What the exporters of England, the United States and Germany are demanding is an absolute insurance of the collection in full of specific bills, by a big concern of financial weight sufficient to make its guarantee on a bill the equivalent of a big bank's 'acceptance' of one, as far as negotiability is concerned. When a bank 'accepts' a bill, it guarantees to future buyers of that bill that it will be paid when due without question or delay, and thus enable the maker to sell it at a prime valuation. The bank, however, 'accepts' only upon the understanding that it will have recourse to the maker, the man who sold the goods, if the buyer should fail to pay. The bank gives a guarantee only to the holder of the bill. It will pay him, but it will proceed to collect the money from the exporter here if his foreign customer refuses to pay. What the exporters who now demand credit insurance desire, is that some strong institution will take a small commission and guarantee the payment of bills so that they can obtain their cash by selling their bills and have no further liability. It is a perfectly reasonable wish for carrying the liability upon bills during transit and collection limits their ability to obtain credit for doing more business. Moreover, it is the rule for manufacturers to add, say, two per cent to their prices as a margin of guarantee to cover an imaginary or real average of loss through bad credits.

"Almost any one would rather be able to pay one-half of 1 per cent, have his credits all guaranteed, and use the 1½ per cent in meeting competition or increasing the profit. The service of a feasible credit insurance would be double; it would enable manufacturers to trim prices and it would virtually add to their working capital. German manufacturers are now demanding that this Government recognize the national aspects of these economic features of credit insurance and their recommendations for a State bureau to guarantee export bills.

"The commercial banks of this country and England, which are so strongly organized with foreign branches as to be able to know the credit of foreign buyers intimately, have often been criticized because, on the strength of their foreign credit knowledge they do not buy outright, without recourse to the seller, and on the credit of the consignee, the bills of exportation,

charging a reasonable commission for the service. The banks have resisted the temptation to take these profits, on the ground that they must confine themselves to pure banking risks, and the "mercantile risks"—as they are called—of foreign collections are not within the realm of commercial banking. In actual foreign business the bulk of difficulty in making foreign collection arises not from the dishonest refusal of foreign merchants to pay but from refusals to accept consignments because of a wide range of reasonable misunderstanding between the parties. Busy manufacturers and merchants are not given to careful, detailed description in their correspondence. The buyer writes a brief order with one idea in his mind; the exporter fills it conscientiously with another in his. A few months ago an Argentine manufacturer of bathtubs sent an order to the United States for galvanized iron sheets. When the sheets arrived at Buenos Aires he refused to take them. The whole correspondence was referred to a mediary. Both principals it is evident from the records, acted in absolutely good faith. The Argentine expected "bright" sheets; he received perfect "gray" sheets. At the worst the American concern was careless. Both are financially responsible. But a bank that would have bought the bill for that shipment outright would have been at a loss for it. The variation of these miscarriages of commerce is legion.

"The "problem" of insuring foreign bills will be comprehended almost entirely in the question how to fix a premium that will fit an average 'mercantile risk.' It can be solved, undoubtedly. The British Trade Corporation has arranged with a well-known marine insurance company to be its credit-insurance department. The marine underwriters of England are the world's most versatile judges of risks of all kinds. Lloyds will consider any kind of risk submitted to them, it is said.

To Be a Success
Premium Must Be Low

"It is entirely feasible to judge of particular "mercantile risks." But to be a success the premium must be low. It will probably become highly competitive. If we take up the insurance of foreign bills over here there is no doubt that while the insuring institution will write its full guaranty of a bill as benefiting a buyer of the bill in order to make insured bills freely negotiable, it will have a contract giving it recourse against the

maker in case of palpable errors in business transactions. It might require a general bond of the insured, covering a range of business. It might require 'acceptance' of the bill in advance by a bank, and then insure against the mercantile risks only. Or it might employ some practicable system of inspection of the goods to see if orders and documents conform exactly to specifications. Special laws might be adopted, holding exporters to stringent compliance with certain standards when they insure transactions. It has even been suggested that some great corporation should combine express business or forwarding, packing, and insurance. This would give it full control over the physical merchandise, and enable it to make sure of the mercantile risks.'

"It has been said by advocates of this proposed facility for our commerce that the establishment of world-wide credit insurance in international commerce, either by one or more very large institutions, or by groups of smaller companies working closely as underwriters do would automatically diminish the mercantile risks of trade by forcng both exporters and importers to conform absolutely to standards. A general vogue of insurance at fractional rates would with its economies make it well nigh impossible for exporters to export or importers to import without it. A record of continuous bad practice on the part of an exporter, or many refusals to accept goods, without the very best reason, on the part of an importer, would soon result in his being classed as a bad risk, with a high premium on his business, or exclusion. It would enforce careful handling of exportations and discourage captious or dishonest refusals to accept importations."

How to Collect Overdue Accounts in Foreign Field

It should be understood, that the credit man often runs up against the situation involved in the collection of a poor account in the foreign market. This is natural. It often happens that some sort of a collection machinery must be put into action to force payment from a customer whose credit standing is not of the best. This is a regular thing in the local market. Collection agencies thrive on this sort of business. It is not difficult for the manufacturer to turn over the collection of a bad account to one of these agencies—and they generally do the work.

But when there is a bad account to collect in a foreign country what must the credit man do about it? If the manufacturer or exporter has a branch office in the foreign country where the bad account exists the matter is not so difficult. Collections will be made just like it is done by other concerns in that particular field. But for the manufacturer or exporter who falls victim to a foreign customer on an open account proposition when he has not the adequate facilities to enforce collection the problem of collection becomes a difficult one.

Foreign Account Difficult to Collect

It is generally more difficult to make collections from foreign customers than it is from domestic merchants. The distance between seller and buyer gives the latter a sense of security. He knows that the seller will find himself in all sorts of trouble in endeavoring to effect a collection.

Sometimes the failure to pay is not the fault of the debtor, however. The shipment of goods contrary to instructions is a none too rare occurrence among American manufacturers. This causes misunderstanding. It may finally be settled after long drawn out correspondence. In instances of this kind the best thing for the manufacturer to do is to settle the matter as smoothly as possible. He should be liberal in a compromise. It is the best way out. Where the customer is behind in his payments the nature of the indebtedness, the state and condition of the debtor, and his locality must be considered. The nature of the indebtedness may vary from a small item on an open account to a large sum; it may be merely delay in payment, a refusal to pay, or inability to pay, either official (bankruptcy), or inofficial, or finally plain lack of available funds to meet the obligation.

It oftens happens where the rate of exchange is constantly changing from week to week that the foreign merchant awaits a favorable opportunity for the settlement of his account. This may often cause several weeks of delay, and the manufacturer might be tempted to write his customer a letter "dunning" him for his money. The manufacturer should be very careful in the use of his language in the collection of an account of

this character. An insulting letter from the manufacturer's correspondence department may cause the loss of thousands of dollars worth of business for the year.

There are instances, of course, where it is necessary to compel prompt settlement on the part of foreign buyers. Mr. Archibald J. Wolfe, who compiled a report on foreign credits for the Bureau of Foreign and Domestic Commerce explains the methods that should be employed in collecting a bad debt. "A bank may be well employed to press a draft to the debtor," says Mr. Wolfe. "Full details should be submitted to the bank at the same time, and a courteous letter should be written also to the debtor. If this fails, the customer is plainly an undesirable one. It will be then necessary to weigh on the one hand the cost and the probable chances of litigation, and on the other hand the amount of the claim made by the delinquent. It may be frequently worth while to agree to the unjust claim and communicate the incident to the mercantile agencies, confidentially, for the protection of American trade. The difficulty may be in some of these cases so delicate that the credit man might do well either to intrust his claim to a bank in the debtor's city with instructions to handle it through its attorney or to turn it over to some such institution as the foreign collection bureau maintained by the National Association of Manufacturers.

"In the case of delay due to a temporary embarrassment it is necessary to judge each case on its own merits. The wise credit man will immediately make a searching inquiry into the financial standing of his customer in order to learn whether an improvement may be soon looked for. In many instances a little patience will retain a faithful and a desirable customer temporarily short of funds while in other cases prompt and decisive action is vindicated. It all depends on the standing of the customer, the thoroughness of financial information, and on the degree of security the credit enjoys.

"Where the debtor is dishonest the creditor, evidently had been negligent in granting credit to an undeserving customer. Such accounts are the most difficult to collect."

Collections Should Be Made on Their Merits

In endeavoring to collect a bad account by correspondence

it has been the custom among some American merchants to make pleas for their money on a varied number of grounds. Some confess that their funds are low and they need the money; others state that the prices at which their goods were sold are so low that it is impossible to extend credit. It is questionable whether such methods of obtaining remittances of old accounts are productive of good results. It is usually done in the United States but such methods have often been condemned by the more enlightened members of credit associations. It seems that the best argument for demanding settlement of an account is that it is due, and that the money rightly belongs to the merchant who made the accommodation. A letter along these lines can easily be written by an experienced correspondent. He can use tact and diplomacy—and force, without the necessity of admitting into the correspondence a list of weak reasons why the foreign customer should pay his bill. Perhaps, the best way to remind a foreign buyer of the necessity of meeting his bills promptly is to insist on the payment of a regular rate of interest from the time of the invoice date until the account is paid. In countries where there exist high interest rates this will inspire customers to settle their obligations with promptness.

Claims Against Bankrupt Estates

An attorney having experience in foreign countries or a bank having branches in the foreign country where the debtor resides should always be consulted in the matter of collecting claims against bankrupt estates. The manufacturer will learn that many foreign countries have strict regulations pertaining to the filing of claims against insolvent estates within a certain time limit, or to representation of foreign claims, or to the form in which powers of attorney and proofs of claims are to be made out. So many different features enter into the claims against bankrupt estates in foreign countries that good business judgment dictates that they should not be handled direct. The collection bureaus of good standing as well as many banks are in a position to handle such clai for a nominal fee.

In most foreign countries it is unnecessary to prove the account item for item, where an acceptance or note is sufficient

evidence of the claim. For this reason it is much more difficult to sue on open accounts in most foreign countries. In placing drafts in the hands of banks for collection care must be taken by the manufacturer that he instruct such institutions to protect them within the required legal limit in case of nonpayment, if there is reason to believe that the drafts will not be taken up. A non-protested acceptance in a foreign country amounts to nothing more than an evidence of indebtedness.

American Manufacturers at Disadvantage in Suing

Foreign creditors are at a disadvantage when suing in many countries. For this reason they should endeavor to avoid litigation if possible. Once getting into the courts the American manufacturer not only loses money, and time but suffers the disadvantage of not being able to present his case effectively. Unless it is possible to settle amicably out of court, or the claim itself is of sufficient importance, resort to litigation as a last recourse is then advisable.

Chapter XIII

HANDLING AN ORDER

METHOD OF HANDLING ORDERS DETERMINES MANUFACTURER'S SUCCESS—CUSTOMER'S INSTRUCTIONS MUST BE CLOSELY FOLLOWED—CONFIDENCE OF FOREIGN CUSTOMER MUST BE WON—EXECUTIVE ABILITY IN HANDLING ORDERS.

A manufacturer can either kill or create a splendid export business in accordance with the method he adopts in the handling of his first order. If the first order is to represent the beginning of a lucrative export business the manufacturer must devote that time and attention to it that he did when he received his first order from a domestic customer. Business is not built up on the first order. It is not the order that comes in through the mails or other sources today that counts. It is the order of tomorrow or the next day or next month or year that is going to determine the manufacturer's success or failure in business. If the manufacturer has established a fixed policy of not engaging in foreign business then he should politely refuse to accept business from foreign quarters. Export trade is not meant to satisfy the whim of the moment. To be worth while it must be permanent, and to be permanent it must be intelligently handled.[1]

1 In this country today, scarcely a popular magazine article on the subject of winning foreign markets or "grabbing" the export trade fails to tell a story of the painful experience of this or that foreign purchaser of American wares, caused by the American way of looking at the export trade. The story usually runs that the foreign buyer had at length decided to risk an order with American manufacturers and that the first shipment of the American goods proved very satisfactory. It may be that a second shipment was obtained and proved equally satisfactory, but at about this stage the foreign buyer was shocked to receive a reply to one of his new orders to the effect that the American manufacturer was so busy in supplying the domestic market that he could not bother with the foreign order at that time. This, of course, disrupted the business of the foreign buyer who promptly announced that this would be his last experience with American goods and straightway turned to the German manufacturers, from whom he knew he could expect more courteous and businesslike treatment.

Although this story is hackneyed, the fact that nearly every American traveler who returns from a business trip abroad and who is able to get his articles published in the magazines tells a story along this line would seem to prove that many foreign buyers of American merchandise have had such disagreeable experiences with American manufacturers. The American manufacturers have had so much activity in the tremendous home market in the United States that they have not deemed foreign trade worth working for. When some foreign trade has come to them by one chance or another, they have regarded it as lying at the very outer edge of their business, and if any part of their trade has had to put up with inconveniences and delays it has been this foreign trade. In a year

A foreign customer, no matter in what section of the globe he is living, is entitled to the best possible service that the manufacturer can give in a manner consistent with the trouble and risks involved. The quality of the goods to be sent to foreign customers should not be determined by the color or race of the person to whom they are going. The Chinese, Australian, Mexican, Scandinavian or Islander is just as much entitled to serious consideration in the matter of orders as the Canadian or Englishman.

"Here is a man from across the seas who writes asking me to send him a sample order of my goods," a manufacturer says. "Here is a chance to develop a foreign business," he reasons. "This man has given me an opportunity to make a start. He has taken an interest in the things I produce, and in the utility of my product. I, on my part, am going to take an interest in his order; I shall see that he gets a square deal and that his instructions are closely followed."

As a result of this manufacturer's foresight the foreign customer receives his samples according to instructions and in very good condition. He is pleased with them. He tells his friends ,and his friends order from the same house. The manufacturer's business grows, and his export trade is assured, and all because he took his first order seriously. He "delivered the goods."

Customers' Instructions Must Be Closely Followed

Cases are none too rare where manufacturers have endeavored to prove to a foreign customer that black is white and that silk is cotton, etc. This vicious practice enjoyed a great popularity during the days of the war in the stampede to conquer new commercial markets. Hundreds of American salesmen flocked to foreign countries in the quest of the

when production has been so great that there has been a surplus of merchandise for the American market many an American manufacturer has turned with avidity to the export merchants and sought a chance to dispose of his surplus abroad. Such, however, was only in incident and was regarded as outside the ordinary course of trade. Naturally, when the foreign trade of a particular manufacturing establishment has been of this incidental character, it has received only incidental and scant attention. Now, however, if the American manufacturers are going to make a direct effort to capture foreign trade, this attitude must be changed. The foreign customer must receive the same careful consideration that the domestic customer receives. He must not be disappointed and made to feel that the American manufacturer cares litte whether he has his trade or not. Regularity in meeting the wishes of the foreign customers is essential.—Miscellaneous Series, No. 57 Bureau of Foreign and Domestic Commerce.

"golden fleece," dragging along with them trunks full of samples and catalogues representing American manufactured articles. With their stocks running low during the trying days of the war foreign customers purchased right and left in great quantities and when actual shipments of orders were finally made months later they discovered to their sorrow that the goods were not according to sample and that instructions had been loosely followed. The majority of these crimes must be laid at the doors of concerns new in the export game, however, and not at the doors of the pioneers in the business. The unfortunate part about it was, nevertheless, that foreign customers did not discriminate between good and bad houses in the United States but condemned the "Yankee" generally for his sharp practices.

What was the result of this? Here is an illustration. A well-known Chilian merchant who fell victim to some of these unscrupulous traders told the author on the day the armistice was signed the following: "You can say to some of your business men in the United States that I am through with them. They have had a fine opportunity to build up a fine trade with the Chilian merchants but they have thrown it away owing to their methods. We have been forced to buy from you because we could buy nowhere else. Now that the war is over we shall go back to our friends in Europe. Your merchants have lost a splendid opportunity to establish a permanent business here."

Not long ago a customer from Ecuador ordered a consignment of suspenders from an American manufacturer. The merchant plainly wrote that black suspenders were required. Instead of following instructions the manufacturer sent the suspenders in assorted colors believing, perhaps, that "they were just as good." But he did not reckon with his customer. The shipment came back. The manufacturer did not get his money. Nearly three months were required to straighten out a little matter that could have been intelligently attended to in the first place.

The Ecuador merchant might have had a reason for desiring black suspenders. The American manufacturer might have had a reason for sending a shipment in assorted colors. He should have given it in a letter accompanying the goods, and couched in polite terms, explaining his inability to fill

the order as had been requested, and asking if the colors he was sending would prove satisfactory. This he did not do—and he lost the confidence of the customer.

Quite a contrast is the method employed by a New York wizard in the export business which extends to the Orient where trade has been developed with Chinese merchants. This expert not long ago received an order from a Chinese importer for electrical parts. As it happened the manufacturer was not making any more of the kind desired, but he had enough on hand to partially fill the order. Did the wizard substitute all the new goods for the old ones and send the shipment along to his Chinese customer? He did not. But this is how he worked it: He filled as much of the order as he could with what he had left of the old stock, and sent samples of the new kind along with a letter asking the merchant to carefully examine them and if he found them satisfactory to communicate with him in New York and the balance of the order would be promptly filled. The Chinese merchant was satisfied. Those who understand the methods of dealing with Chinese merchants will readily agree that the wizard knew his business.

Confidence of Foreign Customer Must Be Won

If there is any doubt in the mind of the manufacturer that the order he is about to send to a foreign customer will not be satisfactory, or suggest an attempt to "put something over" he should by all means hold it until it is possible for him to fill it according to instructions or until he has received authorization to make whatever changes may be necessary. A dissatisfied customer is worse than no customer at all. A dissatisfied customer by word of mouth can do great injury to an American manufacturer who consistently endeavors to cut sharp corners in his dealing with foreign customers. The necessity of strictly adhering to instructions is illustrated in a story the author recently heard regarding a shipment of pencils to an importer in the Far East. The importer had received a shipment of these pencils with the trademark slightly blurred. The pencils, themselves, were satisfactory, however, and some months later another order specifying exactly the same brand was sent in. On the second order the faulty printing of the trademark had been corrected and in the course

of time shipped. When the order reached the importer it proved to be unsatisfactory. The original trademark was missing. The pencils went back to the factory with the following note:

"I am sorry, but I cannot use these pencils. The trade is now accustomed to the pencils with the blurred trademark, and I wish you would send them to me in that way." The factory at home saw the point. The methods of printing the trademark on the pencils were slightly rearranged, and to this day, the story goes, there is a reason for blurred trademarks on a certain kind of pencil in the Far East.

Liability of Seller to Furnish Goods

Two points should be remembered in handling export orders. One is that the seller is bound by the acts of his agent in foreign countries as long as the latter does not violate the specific instructions given him. The only time when a manufacturer may place the responsibility on his agent is when he exceeds his authority. If the agent does this, he alone, is responsible. Another point to be remembered is that in accepting orders from foreign customers the manufacturer or shipper should have it specifically written in the contract or agreement that he shall not be held responsible for contingencies beyond his control. Unless this is written in the contract or agreement the courts of the United States or Great Britain will hold him for a breach of contract. The manufacturer is bound to ship his goods at all costs or suffer the consequences unless he includes the clause referred to in his agreement of sale. This is not the law in other countries, however.

The manufacturer must be very careful that the date of the bill of lading is in accordance with the actual shipment. "Shipment in January" means shipment some time during that month and not in February. If the manufacturer is unable to ship his goods on the specified date he should communicate with his customer to obtain authorization to change the date.

Executive Ability in Handling of Orders

The capable handling and the intelligent interpretation of

export orders rests with the export manager. The business may fall or rise in the ratio of the export manager's skill. The duties of the export manager in relation to his customers abroad cannot be better told perhaps, than in an editorial appearing in "The World's Markets" published by R. G. Dun and Co. The editorial says:

"There is scarcely an export executive today who is worthy of the name but who has in the past four years overhauled his whole system of handling export orders, from their first receipt to the final payment. Indeed, there is a constant process of revision. Systems entirely adequate in normal times have been made watertight against war time storms—and they will remain watertight against the unusual conditions which will arise from time to time even in most normal periods.

"Foreign buyers appreciate the change. Nowadays, when buyers are in the United States and visiting the factories which supply them, the visits are not alone of a social character, nor devoted merely to trips through the factory to see the latest laboratory triumphs and automatic machinery. Instead, can be seen, from San Francisco to Portland, Maine, buyer and seller with heads close together, working out ways and means to overcome the various obstacles which lie between the goods on the factory floor and their safe receipt in a foreign warehouse.

"Nor is it enough for the exporter merely to keep abreast of the mandatory regulations at home or abroad. Unless he steeps himself in the spirit of the times, unless he comes to know tendencies before they become facts, he is doing his foreign customers a grave injustice and working the cables overtime. Every outgoing mail from the good exporter carries with it letters of warning of changed conditions, and indications of the way probable regulations will affect both buyer and seller.

"The present situation is not taken by the serious-minded export man as a wonderful opportunity for ready-made excuses to cover slow deliveries. Rather is it accepted in the best of spirit as an opportunity to display executive ability in complying in the letter and the spirit with the wishes of governments, yet contesting against artificial handicaps

to maintain for his customers abroad the steady arrival of merchandise.

Rewards for those Who Play the Game

"The rewards have been great for those who have played the game. It became apparent to those whose enlightenment comes from within that the imperative need of the first few months of the war was the creating in the minds of their foreign customers of a thorough and abiding confidence in the exporting manufacturer. 'Strange things are going to happen,' they said to themselves, 'and unless our good friends thousands of miles away are willing to trust to our judgment and honesty we shall be woefully handicapped and they will be robbed of profits entirely possible, provided they have confidence in us.'

"These far-seeing executives appreciated even as early as the closing months of 1914 that their position was to be relieved of the task of selling goods, and that their abilities were to be taxed with the problem of deliveries.

"Today, many an export executive is still virtually a managing partner of thousands of merchants. He not only decides what to ship, but also when to ship it and the prices at which the merchandise shall be forwarded. One of the ablest merchants in the Far East has picked out the dozen sources of supply in which he has the greatest confidence, and left with each the message: 'You are to ship me anything which you feel that we can resell at a profit, in any quantities which you can spare, by any means which you may think advisable, whether it be a row-boat or an 18,000-ton liner. Bear in mind that I am still far more interested in deliveries than I am in prices, and that you are to be the sole judge as to the price at which our lines are to be invoiced.' The executives honored by such a trust can scarcely be considered as less than managing partners of this merchant of the Far East."

After all the business of buying and selling involves a partnership between the buyer and seller. The strength of this partnership, however, depends not so much on the capital invested as on the judgment of the seller, and the confidence and trust of the buyer across the seas in the man who is supplying the merchandise.

Invoicing Goods for Export

Invoices for export trade involve many features that are foreign to the domestic document. Export invoices, moreover, are correctly termed "invoices" and not "bills" as in some foreign countries "bills" are recognized as bills of exchange, or drafts.

The most important features of an ideal invoice are its accuracy, completeness and clearness. This is absolutely essential in dealing with a customer thousands of miles away. The customer has got to check his shipment when it reaches him, and unless the invoice is perfect he will find himself in considerable trouble. Instructions from a foreign customer, therefore, should be followed to the letter in the matter of making out invoices, no matter how absurd they may seem to be.

Necessary Features in Export Invoice

The salient features of an export invoice are these:

Simplicity and clearness in language.

Full description of goods invoiced, eliminating abbreviations or terms known to the trade only. Officials who are required to examine them may not understand these terms. Foreign customers cannot be expected to know them.

Use of dollar sign before all prices, extensions and footings.

Complete and exact weights and measurements such as widths, lengths, weights. Guess work must be avoided. Figures must be exact.

Uniformity in handwriting or by typewriter in making out invoices.

The number and date of the order.

Text in language of the customer when necessary.

The method of transportation and route.

Numbers, weights, dimensions, marks and nature of packages—whether cases, bales, crates, barrels, bags, sacks, etc.

Terms of carriage.

Separate code word for each item to facilitate reference to it by cable.

Invoice of each item in the shipment.

THE REMINGTON ARMS UNION METALLIC CARTRIDGE COMPANY,(INC.)

CABLE ADDRESS HARTLEY NEW YORK

MANUFACTURERS OF

SHOTGUNS, MILITARY & SPORTING RIFLES & AMMUNITION OF ALL KINDS

WOOLWORTH BUILDING

233 BROADWAY

NEW YORK APRIL 26,1917.

REMINGTON UMC

CUSTOMERS ORDER NO.

CUR ORDER NO.

TERMS

90 DAYS SIGHT DRAFT

SOLD TO C.STEVENSON & COMPANY

SANTIAGO CHILE.

SHIPPED VIA. "NAME OF STEAMER"

CASE NUMBERS	WEIGHTS EACH CASE NET LBS.	WEIGHTS EACH CASE GROSS LBS.	WEIGHTS EACH CASE NET KILOS	WEIGHTS EACH CASE GROSS KILOS		DESCRIPTION		EXPORT VALUE UNIT PRICE	EXPORT VALUE TOTAL NET
							$		$
100	190	206	86.27	93.42	10 M	CARTRIDGES CALIBRE 32 S&W MEAS.23x13x9½" 1 CASE			
101/102	151	163	68.59	73.92	10 M	CARTRIDGES CALIBRE 38 S&W MEAS.15½x13x10½" 2 CASES			
103/104	199	221	90.25	100.21	4 M	NEW CLUB CARTRIDGES 16 GAUGE LOAD 585 MEAS.29½x17x10" 2 CASES			
105/106	176	196	79.82	88.88	4 M	REMINGTON CARTRIDGES 16 GAUGE LOAD R19-5 MEAS.15x9x9" 2 CASES			
107/108	224	248	101.58	112.46	4 M	ARROW CARTRIDGES 12 GAUGE LOAD 7-4 MEAS.15x9½x9½" 2 CASES			
109/110	216	240	97.95	108.84	4 M	NITRO CLUB CARTRIDGES 12 GAUGE LOAD X7 D-1 MEAS.15x9½x9½" 2 CASES			
111/112	122	150	55.32	68.02	20	REMINGTON REPEATING RIFLES MODEL 12A 22 CALIBRE MEAS.28x12½x9½" 2 CASES			
113	108	142	48.07	64.40	10	REMINGTON AUTOLOADING SHOTGUNS M/11A 12 GAUGE MEAS.36¾x16½x16" 1 CASE			
114	108	142	48.07	64.40	10	REMINGTON REPEATING SHOTGUNS MODEL 10A 12 GAUGE MEAS.36¼x16½x16" 1 CASE			

CASES MARKED:- C.S.& C.

VALPARAISO

SPECIMEN

A specimen of an Export Invoice. Manufacturers have different forms drawn up in distinct methods. Terms of payment, marking, weights in pounds and kilos and measurements of each case will be noted here.

Invoice of material for which no charge is made, such as catalogues or electrotypes.

Invoice of accessories of spare parts for which no charge is made with value attached.

Gross and net weight of each package, and number.

Gross and net weight of each package when a number of them are bound together so as to form one package, as well as gross weight of whole.

Conversion of value of invoice into foreign currency, when necessary, at the foot of invoice.

Signature of responsible member of firm or official having authority to sign for firm.

Placing at bottom of invoice "E. and O. E." (errors and omissions excepted). This gives shippers right to correct errors, etc.

Other Essential Details in Connection With Invoice

It is good practice to always supplement the invoice with a letter explaining in fuller detail the shipment, and giving all the additional information that the customer may desire to know. If the letter is sent in advance of the shipment the customer may want to know the name of the steamer on which the goods are being sent, the date of the shipment, the route to be followed, and information regarding transshipment as well as probable arrival of the steamer at destination. Export invoices should be made out in triplicate. When dealing with the bank more are necessary as the bank will require two invoices. The third one will go to the customer.

Discounts should be calculated and deducted on the face of the invoice so that the net costs will appear with each extension.

Other Documents in Connection with Invoice

Sometimes all additional expenses are enumerated in the commercial invoice, such as transfer to steamer, ocean freight, insurance, etc. The better form, however, is to limit the invoice purely to the cost of the goods. Additional expenses should be incorporated in a separate sheet known as a State-

ment of Charges. This Statement of Charges will include the invoice total as well as additional charges as have already been indicated. The Statement of Charges must always be attached to the invoices.

A Packing List or Measurement Note indicates what each case contains as well as its net and gross weight, and cubic measurements.

A notice of a draft by shippers indicating the amount and terms of the draft, and the method of collection is customary in export trade.

Additional papers such as certificates of inspection, analysis, weight, etc., may be demanded in various countries. The shipper should consult the consuls of the countries to which his goods are going for information, on the matter.

Chapter XIV

PACKING FOR EXPORT

INEXPERIENCED EXPORTERS ARE TO BLAME FOR POOR PACKING—MERCHANDISE MUST BE SECURELY PACKED—POOR PACKING MEANS LOSS OF ORDERS—FACTORS TO BE CONSIDERED IN PACKING FOR EXPORT—KIND OF PACKING REQUIRED FOR SHIPMENTS FOR EXPORT—HOW MACHINERY IS PACKED FOR SHIPMENT—FOREIGN REQUIREMENTS MUST BE MET IN PACKING—EFFECT OF WEIGHT ON CUSTOMS DUTIES—REGULATIONS IN COUNTRIES THAT MAY AFFECT PACKING—HOW CASES FOR EXPORT SHOULD BE MARKED.

American manufacturers and exporters have been accused by writers in the popular trade magazines, and by foreign merchants of being negligent in the matter of properly packing merchandise for foreign destination. While it would be difficult to run down the basis for such a sweeping criticism, nevertheless, in justice to the pioneer American foreign trade merchants it must be said that business men from foreign countries have often applauded and pointed out to their fellow men the efficiency of the American exporter's packing, and emphasized the necessity of copying his methods in order to satisfy the overseas merchants. It would seem, therefore, that the monopoly of proper packing is not confined solely to European or other foreign fields. There is no doubt that a great volume of merchandise leaving American ports arrives in a damaged condition at its destination owing to negligence in packing. But if one should trace this trouble to its source one would likely find that this is due to inexperience and ignorance on the part of the hundreds of American manufacturers and exporters who are as yet new to the foreign trade game.[1]

1 That the packing and shipping methods used by our locomotive exporters are not inferior to those employed in other countries is well shown by the following examples: One company shipped a locomotive into Colombia over mountain trails which necessitated transportation on mule back. After the locomotive had been built in the United States it was taken down and the parts placed together in large cases and shipped to Medellin, Colombia, where it was landed. The pistons, cylinders, rods and other parts were then securely wrapped in burlap and

It is the purpose of this chapter to deal with some of the principles and methods governing packing for export as well as some of the conditions under which merchandise is transported to its final destination in foreign countries.

Merchandise Must Be Packed Securely

Merchandise for export must be packed securely. There is no use to attempt to eliminate costs by packing goods for foreign customers as cheaply as possible. It is false economy. The foreign merchant is interested in a shipment that arrives in good order and not in one in which half the merchandise has been damaged by water or by rough handling. American manufacturers are often tempted to pack their goods for foreign use in cases that are inexpensive in order that they may avoid higher quotations.

This, however, is not sound policy. It is better to properly and safely pack goods for export, and either make an extra charge for packing, or advance the quotations to cover the entire costs. After all, the foreign customer is interested in the safe arrival of his goods for re-sale. Often these foreign importers would rather pay an additional sum for goods properly protected against damage than suffer loss as the

packed on mules, reaching Bogota, after many days, in perfect condition. The locomotive was then assembled and operated perfectly.

Since the war began another locomotive company has shipped more than 400 locomotives to interior Siberia. They were built in the United States, packed for shipment, sent via Magellan and the Panama Canal, to Vladivostok, erected in record time in the yards of the Siberian railroad, and proceeded under their own steam to their destination. Today they are hauling the vast stores of munitions imported through the back door of Russia from the United States and Japan. When the transaction was completed not more than one-tenth of 1 per cent of the order was found to have been broken or lost in transit

Locomotive manufacturers have been called upon to ship to the most out-of-the-way places which formerly obtained their rolling stock from Europe. Engines have gone to Katanga, away in the interior of Africa, in the Belgian Kongo, to the Gold Coast, to Rhodesia and to Portuguese and East Africa, and up to date not a single complaint has been received, although it was the first time that American locomotive orders had been received from these places.

The first steam railway in Chosen, connecting Chemulpo, on the seacoast, with Seoul, the capital, was built and its equipment ordered from the United States as a result of the far-sighted activity of an American business man. The track was the American gauge, 4 feet 8½ inches. When this road was extended by the Japanese after their occupation of Korea the American gauge was still used, and when the South Manchurian Railway was linked up with it the American gauge was continued. American locomotives and rolling stock have accordingly a preference in that market and the bulk of the equipment is manufactured in the United States.

Possibly one of the most severe tests for good packing was endured by a case containing a locomotive packed by an American firm. The lack of land-locked harbors on the west coast of South America compels the discharge of cargo in open roadsteads. The rise and fall of lighters renders arduously dangerous the unloading of heavy merchandise. Nevertheless, when a case containing a locomotive cab and locomotive parts went overboard as a result of improper handling, it floated. The tide swept it out to the Pacific for several miles before a tug could overtake it, but it was towed back and finally landed with the contents unimpaired. The examples of brilliant enterprise in American export trade are too numerous for unabridged reference here—Report of Fourth National Foreign Trade Convention.

result of poor packing. Some American firms have followed the British method of adding additional charges for certain kinds of packing for goods that require it. In England professional packing companies undertake this work for exporters and make charges in accordance with services rendered.

Who Is Responsible for Poor Packing for Export?

If the manufacturer is exporting direct it is his duty to become acquainted with all the requirements peculiar to export packing as well as the existing regulations in foreign countries regarding the packing and marking of goods. If the manufacturer is supplying a commission house with merchandise intended for foreign customers the commission house should give full instructions to the manufacturer regarding the packing of the goods. The commission house is supposed to know where the goods are going, how they are to be transported, when they reach a foreign country, and how they are to be marked, etc. Of course, if the manufacturer violates these instructions he must be held responsible.

Manufacturers do not often follow these instructions, however, as the following statement from an official of a New York export house suggests:

"We do little or no packing ourselves; the goods are packed by the person from whom we order for export and the cases are not opened by us. In all instances, we give instructions to pack most carefully, but we regret that ourselves and our friends have had, in very numerous instances, to suffer considerably through the carelessness, indifference, or ignorance of the American manufacturer in reference to this important particular. * * * The American manufacturer fails to realize that while he may sometimes save a few

An old-established manufacturing concern that has systematized its foreign business so that it moves right along automatically with the domestic permits us to describe the way an order is handled by its forces.

This company has devoted much study to the packing of merchandise sent abroad, but the uninitiated onlooker in the packing room would notice nothing extraordinary about the handling of South American shipments if his attention were not specifically called to it. The whole thing has been well systematized. The man who is at the head of the packing department personally supervises or himself packs the export stuff. He is an adept at this.

In the first place, he has had all his packing materials assorted, and the best of the wooden boxes are set aside for the export orders. He does not use boxes different from those needed for domestic orders. He says that the railroads handle boxes in no gingerly way, and so he must pack well even for a 100-mile shipment. But for the boxes to be sent to South America he picks the best shooks the sides

dollars at this end on a shipment, the buyer in foreign markets, by reason of lack of facilities to replace broken parts readily and cheaply, often has to pay out five or ten times what would have been the original cost in this country, or, failing to be able to duplicate, there is loss of time and interest on the value of the shipment for the several months until parts can be brought from this country."

Negligence on the part of the manufacturer and agent alike is illustrated in a report from Consul General William H. Michael, of Calcutta, which is as follows:

"It is probable that the reason the goods were packed so poorly for foreign trade was because the manufacturers packed at the factory for shipment to their export houses in New York or other ports, and the export agents, instead of repacking, simply forwarded the goods in the original cases. While the original cases were strong enough and entirely suitable for transportation from the factory to the shipping port, the packing was utterly unsuited to the long and severe

and ends that are made of good, tough, solid boards without knots, the kind that will take many nails without splitting.

Wherever possible, South American shipments are made in burlap bales. A large order from one of the west-coast mining companies for overall jackets was packed in this way. It went in bundles of 10 dozen jackets. The jackets for each bale were carefully stacked, one bundle upon another in a screw press with a board at the bottom and another at the top. The press was screwed down till the stock of jackets occupied less than two-thirds of its loose bulk. Then four stout hemp ropes were passed around the top and bottom, outside the boards and securely tied. When the pressure was released, the bundle was found to be pressed hard together, each garment so tightly held that it was impossible to move it without cutting the ropes.

The pressing took about 10 minutes of two men's time. The chief packer finished the packing after the bundle had been thrown upon his work table. A length of new burlap, a piece of heavy waterproof paper of the same size, and sheets enough of a special tough "leather paper" to cover this were already on the table. Deftly the packer covered the bundle in another 10 minutes, sewing the burlap with heavy twine with a seam that knots it together every 2 inches, so that breakage of the cord anywhere would not permit the covering to come off.

Not all the company's goods can be baled in this way. The tight pressure breaks composition buttons on some garments. Others it is necessary to box, because baling would result in their reaching the customer so sharply creased, or pressed out of shape, as to be less salable than when boxed. When boxes are used, the goods are carefully placed in them and in most cases forced in with some pressure in order that there shall be no movement or any space of the box unoccupied. A tightly packed box, securely nailed and strapped with iron bands or good twisted steel wires, will not come apart as easily as one loosely filled. The boxes used by this concern are of wood about three-quarters of an inch thick. They are especially reinforced at the edges. The lining of waterproof paper, next the wood, and of "leather paper," next the goods, is always put in foreign shipments.

The marking and shipping instructions are especially given upon the order blank which the packer receives with the merchandise. The marking is usually done according to the customer's directions, which conform to the customs requirements of the country to which the shipment is bound, with the rules of the steamship company, and with the customer's own business system. The bundle wrapped in burlap was going to a mining company in Chile. It has its own rules. This company's private mark was to be stenciled on the top of every bundle or box and on three sides, together with the dimensions, the gross and the net weight given both in pounds and kilos, and the name of the port of destination. The manufacturing company added its own name and the legend "Made in U. S. A." in the extreme corner of one side. The work of packing and marking is done with rapidity that comes from long practice in this company's shipping room. The packer had his quick way of measuring, weighing, and stenciling.

A special employee in New York attends to the shipping of foreign goods, another cooperates in securing insurance documents, seeing to consular invoices and bills of lading, and in dealing with the bank that collects the draft, which is a part of the transaction.—"The Americas."

strain of transit from point of shipment to India. If manufacturers would either pack the goods intended for foreign markets at the factory as they should be packed, or require their export agents to take the goods out of the original cases and repack, much trouble and damage to American foreign trade would be overcome."

Poor Packing Means Loss of Many Orders

A great number of export orders are lost to American manufacturers and exporters because they do not seem to take any interest in the condition of the goods on arrival at their destination. A Brooklyn manufacturer lost a fine order for machinery for a merchant in Ecuador because the packing in which it was contained broke down upon arrival at an exporter's place of business across the river in New York. What chance would such a shipment have in a long voyage to Ecuador?

Manufacturers should follow instructions from importers closely. Perhaps, some of these instructions may seem queer but it must be remembered that the importer probably knows what he is talking about. He has a reason. He knows better than the manufacturer that certain conditions must be met and he probably has learned what packing will prove satisfactory.

Factors to Be Considered in Packing for Export

The greatest volume of our export trade goes to countries where transportation facilities are as good as in the most advanced countries of the world, but there are countries where the means of transportation have not been so highly developed and where it is necessary to ship annually millions of dollars in American merchandise. The problem of transportation, therefore, becomes a factor in the method of packing for export consumption. Goods shipped to England may not require that degree of care that goods shipped to the interior of Peru or Bolivia may demand. Shipments to Canada do not require any more attention than shipments from New York to San Francisco. Shipments which involve rail and water transportation may require a certain method of

packing. In some places transshipment is necessary. Here, also, the best packing possible is necessary in order that goods may not be damaged.

In order to efficiently pack for export, therefore, the manufacturer must not only know how to pack in order to meet all sorts of transportation conditions, but also know when such packing is necessary. Goods may be carried by mule, burro, llama, bull, and camel and by coolies. Such transportation requires a limit in the weight of cases. They should be limited to 200 or 250 pounds each as some of these beasts of burden cannot be overloaded. The loads that various pack animals can carry are approximately as follows: Mule, 200 to 250 pounds; burro, 150 to 200 pounds; llama, about 100 pounds; camel, 350 to 450 pounds. Packages for transportation by these animals should be one-half the foregoing weights as one package is carried on each side. Thus, a mule can carry 250 pounds if divided into two packages, but if a package weighs over 150 pounds he can carry one only, and as this rests on his backbone, he can not carry much above this weight. Man carriers are capable of carrying from 100 to 150 pounds.

Climatic Conditions
Affect Export Packing

In Honduras it rains hard for at least five months in the year and freight going into the interior covered with canvas is usually damaged unless it is properly packed to meet this condition. A like condition exists in Colombia where machinery destined for the interior is frequently exposed to the rains. The rainfalls in India produce a dampness in the air that may damage goods not protected to meet this peculiar condition. In Venezuela the tropical moisture may destroy food products such as dried fruit and cereals if packed in cardboard boxes. Climate, then, is another factor that determines the method of packing for export.

Port Conditions Also a
Factor in Export Packing

In many ports of the world such as those found along the west coast of South America lighters are employed in getting merchandise off the steamer. In these places goods are subjected to rough handling. The lighters ride alongside the ship and the cargo is hoisted from the hold in slings. Each sling load usually contains a variety of goods from ink bottles to dry goods, and weighs a ton or more. As the lighter rises or falls with the waves the sling load will endeavor to meet it, and there is a crash. The well protected goods are safe, but those which were not carefully packed to meet just such contingencies are doomed. Nor is this all. There is yet to remove the goods from the lighter to the quay. More manhandling. Once again, they may probably require placing on freight cars for shipment to the interior. These conditions must be taken into consideration by the American shipper if he desires to retain the good will of his foreign customer. The manufacturer should know the treatment his goods are to receive in shipment to a certain foreign point. He should, therefore, do his packing accordingly.

Protection from
Pilfering Necessary

Various methods have been suggested for packing to discourage pilfering in foreign ports. This crime is quite common particularly where shipments of boots and shoes, dry goods, hardware, notions, and food products are involved. The use of tongued and grooved lumber for boxes, strapping of cases and boxes with steel bands, the use of wire drawn around each end and the middle of the case so tightly that it sinks into the wood at the corners, the ends of the wire then being twisted and cut close with nippers, the use of safety clips of various kinds to bind the top and bottom of the case to the sides—all these have been recommended to prevent pilfering.

In a circular issued by the Federal Export Corporation of New York the following method is recommended: "Stealing from export packages has been the bane of the export trade for centuries, and pilfering has become such a matter of course that longshoremen in foreign ports have been known to strike because one of their number was arrested for breaking cases and stealing goods. The use of matched lumber, with box strapping, will go far to retard pilfering, but a stiff No. 8 or No. 10 wire, drawn about the case so that it bites into the wood, will be the best preventative. Use an old-fashioned fence stretcher to pull the wire taut, staple the

twisted ends fast to the case and seal with lead. Any case can be broken into, so your success will be attained if you make it too difficult to open without detection."

Kinds of Packing Required for Shipments for Export

Merchandise may be packed in cases, crates, or bales. The character of the packing generally depends upon the nature of the goods, and the section of the world to which they are destined. Cases, of course, are the strongest and best. Paper or paste-board boxes will never do for export packing. The lumber used for the manufacture of boxes or crates should be sufficiently thick to give ample protection to the merchandise. The thickness of the lumber should depend upon the weight of the contents. Lumber as light as is consistent with safety should be employed in order to reduce the weight of the case as much as possible. Knotty lumber should be avoided. If knots exist, however, they should be covered over with tin from the inside.

As, in many cases, freight is charged on the basis of cubic measurements, it should be the aim of the manufacturer to pack his merchandise as compactly as possible. Every available inch of space should be utilized. Goods should be tightly packed in order to avoid shifting within the case. The manufacturer should visualize the career of a case from the moment it leaves the factory to its final destination. He will then realize the necessity of having it so carefully prepared that it will stand the most vigorous handling, and the contents will remain intact whether the case is standing on its head or on its side.

An interesting story was told by Captain H. R. Moody, Q.M.C., U. S. A., Chief of the Packing Service in connection with baling goods for export to the A. E. F. at the Sixth Annual Foreign Trade Convention in Chicago. Captain Moody said:

"In no respect did the Packing Service effect greater space economy than in the packing of clothes for the A. E. F. Formerly clothing had gone forward to troops packed loosely in wooden boxes. The Packing Service devised the system of baling all clothing, and a baling plant was set up at the army supply base in Brooklyn. The Service gave scientific attention to the proper folding of garments and eventually, after exhaustive experiments, developed a system of folding that allowed the maximum number of pieces to a bale. It was found that these new methods saved two-thirds of the space that had been used formerly for the shipment of the same quantity of goods in boxes, to say nothing of the great saving both in labor and boxing materials.

"The baling plant in New York in the calendar year of 1918 shipped to France approximately 1,000,000 bales of clothing and textile and other equipment that could be baled. The saving in money to the United States Government by this method of packing at this one plant in a single year amounted to approximately $55,000,000. The largest item in this economy was the matter of cargo space, which is estimated at $49,000,000, saved to the Government. The complete statement of the financial saving in the shipment of these 1,000,000 bales is as follows:

Material	$1,940,000
Labor	583,000
Tare Weight	75,000
Cargo Space	49,080,000
Total	$51,678,000

"In addition to the financial saving there was a large saving in raw materials which count for more money to a nation engaged in a desperate war. This million bales of clothing saved 58,000,000 board feet of lumber which would have been used in boxing, had the old system of packing been followed. The lumber which would have gone into these boxes requires 30 years for its growth, while the burlap covering the bales was made of jute which is raised in semi-annual crops.

"The size of the bale adopted was 30 inches by 15 inches by 14 and up to 19 inches. It is interesting to note that this size was determined upon because it was found that the burlap covering bales of this size would cut into sand bags with a minimum amount of waste material. The army abroad used great quantities of sand bags. Thus, by wrapping bales in burlap pieces of proper size, there was saved a considerable amount of cargo space previously occupied by baled burlap which had formerly been shipped to France to be made into

sand bags. It is also notable that baled clothing arrived in France in much better condition than clothing which had been packed in cases."

Captain Moody's report reveals the tremendous economic saving that may be accomplished by American shippers if they pay close attention to packing.

The process in packing goods in bales is sometimes like this: (a) wrap goods first in ordinary paper; (b) a sheet of canvas should then be laid over the entire bundle; (c) a layer of tarpaulin or cloth should follow next; (d) the final layer should consist of a double canvas or burlap. The outer covering is then tightly sewn with strong twine.

The necessity of watertight linings in packing has already been emphasized elsewhere in this chapter. Tarred or oiled papers may be used for this purpose. The British generally use hermetically sealed zinc or tin-lined cases to avoid exposing goods to rain or dampness. Manufacturers have a right to expect an additional amount to cover the cost of such cases, however.

Sometimes cases lined with waterproof paper, inside of which additional layers of ordinary packing paper are placed, are used. Manufacturers also use oilcloth or taupaulin but in some countries a duty is charged for oilcloth which the importer may not desire to pay.

Shippers usually use either excelsior, straw, hay or waste paper for stuffing empty corners in cases. The character of this material depends, however, on the nature of the goods and the route which the shipment is to follow.

How Machinery Is Packed for Shipment

Machinery in transit must be protected from water. A covering of vaseline or grease on the bright steel parts will provide ample protection. The greatest care should be exercised in preparing machinery for shipment to foreign countries as the effects of climate encountered in other parts of the world may sometimes prove disastrous. The cases may be several weeks in reaching their destination during which time they may be exposed to the rain as well as occasional doses of salt water. The composition of the coating is therefore of first importance; but here again no rule can be laid down, as conditions vary so much. Crude gasoline, white-lead paint, boiled oil, and tallow may be used. The coating, however, must be free from all acid and capable of spreading evenly. It must set quickly to a sufficient firmness, and must dissolve easily when wiped down with oil, turpentine or petroleum.

Essentials in Packing Goods for Exportation

A double check should be made on all goods entering cases for packing for export. Unless this precaution is taken the manufacturer will learn without much delay that he is leaving a trail of disappointed customers in foreign countries whose chief complaint may be that there is something missing from their original orders. In instances where the shipment consists of a number of parts of one article, as a machine for instance, the greatest care is necessary. The machine must be complete. Every part and accessory must be in the packing room. Countershafts, change wheels, spare pulleys, belts, lubricators, and spanners should be grouped alongside the machine. With the aid of an assistant the packer should carefully check off every item on his packer's sheet. The leaving out of one single part may result in disappointment, delay and in much correspondence, not including the additional expense in later forwarding the missing parts.

The weighing of the contents of each case before packing is essential. This involves the net weight of the goods, and the gross weight when packed. With the totals in his possession the manufacturer has sufficient proof against claims that the exact quantity of the goods as checked was not shipped. Also, some countries require data on the "legal" weight—the actual weight of the goods themselves with their immediate containers, as well as the gross weight of the entire case.

Foreign Requirements Must Be Met in Packing

The essential factors in packing may be listed as follows: Strong cases, waterproof linings, straps made of strong material, and protection against pilfering. It has already been indicated how transportation facilities, the character of the port to which goods are destined, and climatic conditions are determining factors in the matter of intelligently packing for

export. There is still another consideration involved. What kind of packing does the man at the other end require in order to satisfy the customs regulations or any other peculiarities in that region? Of course, the manufacturer should know this. He can obtain full instructions from his foreign customer. Once obtaining all the necessary information in connection with the preparation of a shipment to a foreign country he should see that the customer's requirements are fully satisfied. If one method of packing is much more economical than another and the customer requests the economical method the manufacturer should see that the buyer's wishes are considered. The following story may illustrate the point: A dealer in a Central American country received a shipment of tobacco from the United States packed in zinc-lined cases instead of the customary bales. The difference in freight and duty amounted to $300. In the country to which the shipment was sent the duty on tobacco was the gross weight instead of ad valorem and the packing cases had to be paid for at the same rate as the tobacco. The fault here lay in the failure of the manufacturer to study the regulations of the country to which the goods were destined. Also, he should have asked for specific instructions from his buyer as to the method of packing, etc., and the buyer should have furnished them.

Consuls Should Be Consulted

In shipping goods to foreign countries the manufacturer who has had no experience in packing to meet foreign conditions should consult either the Department of Commerce, the Pan-American Union, or, if he is a New York manufacturer, he should consult the consul of the country to which he is shipping the goods. Reliable information may be obtained from these sources, and it may save the shipper a great deal of trouble.

In packing for foreign shipments the manufacturer must take these additional matters into consideration: (a) weights and dimensions of cases or packages should be reduced as much as possible in order to cut freight costs: (b) cases should be small and light in order that they may be easily handled for interior transportation; (c) packages should contain only one class of goods if possible as different classes of goods are subject to different rates of duty in certain foreign countries; (d) advertising matter should not be included with goods in cases as duties are imposed on such matter which the buyer may not desire to pay unless he has requested it from the shipper; (e) in countries where duty is imposed on gross weight the manufacturer should make cases as light as possible; (f) in countries where some goods are subject to duty on gross weight and some on net weight goods subject to the same kind of duty should be packed separately, and not mixed: (g) in other countries, however, mixed packing is allowed as long as merchandise has been properly declared.

Effect of Weight on Customs Duties

In some European countries the dutiable weight of the imported merchandise is determined by the rate of duty. Merchandise subject to a rate of duty above a certain amount is dutiable on actual or legal net weight, while merchandise subject to a lower rate is dutiable on gross weight. In Latin-American countries, however, the basis for duty is generally indicated in the tariff of each item. It is important to note that actual net weight means the weight of the merchandise alone, without packing; legal weight is understood to mean the gross weight less a certain percentage for tare, which differs in accordance with the container, and is fixed by a schedule annexed to the tariff. In some countries the weight of the immediate containers is sometimes included in the dutiable weight of the article.

Articles of commercial value used as containers may be dutiable separately in some countries. French regulations provide that articles imported as containers of merchandise dutiable on gross weight are dutiable separately only if the rate applicable to them exceeds by more than 10 per cent the rate applicable to the contents.

Duty may be reduced to a minimum if the manufacturer endeavors to keep the weight of the packing as low as possible not only for goods subject to duty on legal net weight but also on goods subject to duty on gross weight.

It has been suggested that a saving on duty may be effected by shipping the inner containers separately from the

merchandise for which they are intended. In some countries the weight of the goods alone is used as a basis for duty while the inner containers shipped separately may be admitted at a lower duty.

Regulations in Countries That May Affect Packing

Regulations in different countries affecting packing are constantly changing and the wise manufacturer will make it his duty to apply for the latest information on the subject from the available sources that have already been mentioned in this chapter. As a basis for determining the actual requirements, however, the following information from the principal countries will prove of value to those who are making foreign shipments:

Argentine—Most articles listed in the tariff dutiable on legal weight. Shipment of merchandise of different classes in one case should be avoided as customs authorities may apply duty of highest-taxed article in shipment to entire shipment.

Bolivia—Some articles are dutiable on net weight, some on gross weight, and some on weight of merchandise together with immediate packing. As long as mixed packing is not intended to defraud customs there is no penalty for such packing.

Brazil—Duty on gross weight, or on legal net weight or actual net weight may be imposed on articles dutiable by weight. Gross weight means weight of goods with packing, except rough wooden containers. Legal net weight means gross weight less tare allowances. Actual net weight means weight of goods without any packing. Duty on actual net weight is imposed on goods dutiable on legal net weight and actual net weight if imported in same package. Packages containing only merchandise dutiable on net weight but with different tare allowances are subject to same rule. Weight of packing is distributed proportionately when goods subject to different duties, but dutiable on gross weight, are imported on same package.

Chile—Merchandise subject to duty by weight may be dutiable on net weight, gross weight, weight including packing, or weight including containers. The customs tariff should be consulted for further information.

Colombia—Duty levied on gross weight, and merchandise

subject to different rates of duty may be packed in same container provided gross and net weight of each kind of merchandise is indicated.

Costa Rica—Practically same regulations as Colombia.

Cuba—Articles dutiable on gross weight, actual net weight, or legal weight.

Ecuador—Merchandise dutiable either on gross or net weight, Only requirement in packing in same container merchandise subject to different rates is that shipper state in consular invoice net weight of each kind of merchandise as well as gross weight of entire package.

Guatemala—Duty on merchandise may be levied on net weight, on weight including packing, except outer containers, or on gross weight. Where goods dutiable on weight including packing, imported loose in outer container, weight of latter is not included in dutiable weight. When goods dutiable on weight including packing are imported in same receptacle with goods dutiable on gross weight, duty on latter merchandise levied on weight including packing with addition of one fourth thereof, to compensate for outer container which is not included in weighing merchandise. Merchandise subject to different rates of duty in same receptacle subject to fine.

Honduras—Merchandise subject to duty is dutiable on gross weight.

Mexico—Duty on merchandise dutiable by weight is levied on net, legal, or gross weight. No penalty imposed for mixed packing if merchandise is declared properly. This data is taken from provisions existing in normal times in Mexico. It is subject to change.

Nicaragua—Duties levied on gross weight. Packing of merchandise in one container limited to 10 different kinds.

Panama—Imports dutiable ad valorem and not on weight.

Paraguay—Argentine rules apply to Paraguay.

Peru—Where articles are dutiable by weight, basis for levying duty may be net weight, gross weight, or legal weight. When goods dutiable on gross weight are imported in same container with goods dutiable on different basis or subject to different rates of duty, or with samples without value, 25 per cent is to be added to weight of such merchandise weighed

with its immediate packing and its share of the straw, shavings, or similar packing material.

Salvador—Duty is levied on gross weight. No objection to mixed packing as long as merchandise is properly declared.

Uruguay—Some articles dutiable on gross weight, some on legal net weight and in some cases weight of inner receptacle is included in dutiable weight. No penalty for mixed packing.

Venezuela—Duty levied on gross weight. Rate of highest taxed article is applied to entire shipment when articles subject to different rates of duty are imported in same packing.

Europe

Owing to unsettled conditions in Europe only those countries which maintained their commercial relations with other nations during the war are indicated here. There have probably been many recent changes and the information given below is given as a basis merely.

Belgium—Goods dutiable either on actual net weight, or a tare allowance is made.

Denmark—Duties levied on net weight which includes weight of immediate receptacles in which goods are sold in retail trade as well as wrappers of paper or cloth.

France—Articles subject to rate of less than 10 francs per 100 kilos (87.5 cents per 100 pounds) are, dutiable on gross weight; articles subject to higher rates are dutiable either on actual or legal net weight.

Italy—Articles subject to rate not exceeding 20 lire per 100 kilos ($1.75 per 100 pounds) dutiable on gross weight; articles subject to higher rates of duty are dutiable either on actual or legal net weight.

Netherlands—Duty levied on legal net weight.

Norway—Duty levied on legal net weight, but in some cases only weight of outer container is deducted from gross weight while that of immediate packing is included in dutiable weight.

Portugal—Articles subject to rate not exceeding 5 reis per kilo (22.6 cents per 100 pounds) dutiable on gross weight; articles subject to higher rates dutiable either on actual or legal net weight.

Spain—Dutiable weight not determined by rate of duty. Most articles dutiable on net weight, which includes weight of immediate packing and containers in which goods are sold in retail trade.

Sweden—Duty levied on legal net weight, tare allowance being specified in tariff for each item. In some cases dutiable weight includes also weight of immediate containers.

Switzerland—Duty levied on gross weight. Where articles are imported without usual containers certain percentage added to dutiable weight.

Other Countries

Imports are usually subject to ad valorem rates of duty in the most important British possessions as well as in China. The customs tariff of France applies to the French colonies. The net weight is taken as a basis for the collection of duty on imports dutiable by weight in Japan.

How cases for
Export should be marked

Symbols instead of names of customers in full are used in marking cases for export. The determining factors in the choice of symbols used are quick identification, abbreviations and secrecy. Secrecy is sometimes desirable when the manufacturer does not wish to reveal the name of the consignees. Quick identification is necessary in order to avoid delay on the docks, etc., or in the ship's cargo. Only the essential marks should be used on cases or packages. If old cases are used care should be taken that the old marks are removed. The contents of a case should not be revealed by writing on the outside, as this serves as a tempting bait for thieves.

The symbol of the consignee, the name of the port, the serial number of the case, the gross and the net weight in pounds or in kilos or in both, the measurement of length, breadth and thickness of the package in feet and inches are the essential marks on cases for export. Consignees often arrange their own symbols and they usually assume a variety of shapes. The marks should be legible so that they will not be blurred or effaced when the shipment reaches its final destination. Marks should either be stenciled, as required in

making shipments to Chili, or painted. Marks by crayon, tags, or cards should not be used, for obvious reasons. Serial numbers must be given to all cases. Duplication of numbers must be avoided as the customs officials may suspect that an attempt at fraud is being made. Neither should any number in a series be overlooked as the consignee may suspect that a case is missing.

Accuracy in the marking and noting of the gross and net weights of cases so that it will correspond with the equivalent in the invoices and consular documents is absolutely essential. Consignee's marks, also, should tally with those in the shipping documents. Unless this precaution is taken the shipper may find that he is causing his customer considerable trouble as fines, delays and other inconveniences are the fruits of such negligence.

Longshoremen are not easily persuaded to handle cases or other packages with care merely by such signs as glaring danger marks such as "handle with care," "glass," "keep in dry place," "this side up," etc. These phrases are generally useless. The safe principle to follow is to properly pack goods at the factory, and if there should be a necessity for calling the attention of fragile goods to those who handle the cases warning phrases in English and in the language of the country to which the goods are destined should be written carefully on at least two sides of the cases. In some countries the gross and net weight of merchandise must be indicated in kilos.

CHAPTER XV

HOW SHIPMENTS ARE MADE

METHOD OF SHIPPING GOODS FROM INTERIOR—ROUTINE INVOLVED IN SHIPMENT—DOCUMENTS REQUIRED—HOW BILLS OF LADING ARE MADE OUT—SHIPOWNER'S LIABILITY TO THE SHIPPER—CONSULAR INVOICES—SPECIAL REGULATIONS IN VARIOUS COUNTRIES.

The manufacturer whose factory is situated at some inland point experiences more difficulty in shipping his goods to the foreign customer than the manufacturer with his plant at the port of embarkation. The former requires an agent at the port to attend to the numerous shipping details, while the latter may personally see that his merchandise is properly and safely loaded into the ship.

Let us trace the shipment of a manufacturer from an interior point to its destination. How may a manufacturer provide for the shipment of his goods to the port of embarkation, and what is the process to follow so that they may be safely placed on board the ship for transportation to some foreign port or, perhaps, to some inland point in a foreign country?

He may choose one of two ways. One method is to ship the goods on a through export bill of lading, and the other is to ship the goods on a local railroad bill of lading in care of a forwarding agent or a steamship company, or the manufacturer's own agent. When shipping goods on a through export bill of lading the railroad company instructs its foreign freight agent at the port to engage ocean freight space on the steamer. The foreign freight agent is supposed to attend to all the details in connection with the placing of the goods on board. The more important roads have foreign freight agents at the principal ports whose functions are to handle these matters.

In shipping goods on a local railroad bill of lading, however, the goods are consigned to some specific person, such as the foreign freight forwarder, a shipping company or the

manufacturer's own representative. It is the duty of the consignee to engage freight space on the steamer and to arrange all other details in connection with the placing of the merchandise on board the steamer. The railroad's responsibility, moreover, ceases with the delivery of the goods at a stated place at the port. It is customary to send an "Arrival Notice" to the person who is to receive the shipment so that he may have ample time to arrange all details.

There Should be no Delay in Shipments

It should be remembered that a steamer usually calls at several ports along its route, and that goods are loaded into the hold of the vessel in the order in which they are to be unloaded at foreign ports. For instance, a steamer making its first stop at Havana, Cuba, to discharge freight will load the merchandise destined for that port on the last day in which freight is received so that it may be at the top of the heap. When the steamer arrives in Havana the goods are unloaded without the necessity of "digging" into the hold after them. Again, if Buenos Aires is the last port of call the freight destined for that city will be found at the bottom of the hold. It would be necessary, therefore, for merchandise intended for Buenos Aires to be sent to the loading port on the date required by the steamship company which may be several days before the date of departure. Sometimes freight for the first port of call may be received on the day the steamer is scheduled to leave.

The railroads will give full instructions regarding shipments for foreign destination. Manufacturers, especially those who are situated at inland points, can obtain all the necessary information in connection with foreign shipments at the railroad offices.

Routine Involved in Shipment

If the manufacturer is to rely on the foreign freight forwarder whose functions will be discussed later he need not bother about details in connection with his foreign shipment

U. S. TREASURY DEPARTMENT
Customs Cat. No. 7525.
T. D 35969.—FORM WTB 105.

(For United States Customs and War Trade Board.)

This space for use of Customs.
No. 6874263
(Code No. Dist.) (Port)

SHIPPER'S EXPORT DECLARATION

Of Merchandise Shipped to Foreign Countries or Noncontiguous Territories of the U. S.

☞ Clearance will not be granted until shipper's declaration has been filed with the Collector of Customs.
U S Government export statistics are compiled from this declaration and must be correct.

Goods shipped by F.C.Supply Co., (Name of actual shipper)

Address 1 (Number) Broadway, (Street) New York, (City) N.Y. (State) From St.Louis,Mo. (Place of original shipment)

Via St.L. &.M. and Erie (Carrier from interior point, if any) For shipment on the s/s Graafaxe American (Name of carrier. If vessel, give name, motive power, and flag if known)

From New York (U. S. Customs port of exportation) To ultimate foreign destination Kobe, (City) Japan. (Country)

Marks and Numbers	Number and kind of packages, e. g., 17 crates, 40 boxes, 60 cases, 75 bags, 90 barrels, etc.	COMMODITY Describe the articles fully, as canned pork, printed cotton cloth, printing presses, apples, etc. General terms such as meats, dry goods, machinery, fruits, etc., will not be accepted. Read instructions on back.	War Trade Board Code Number	Quantity (net weight only). State in standard export units, as lbs., tons (of 2,240 lbs.), gallons, yards, bushels, barrels, etc.	Value at time and place of shipment	
					U. S. Products including foreign goods altered or remanufactured in the United States	Foreign Products in same condition as imported
W. T. B. EXPORT LICENSE NO. 56908		DATE OF EXPIRATION Jan.30		9 1, 191	DOLLARS	ONLY
R M 57	Twenty (20) Cases	Face Cream		1540 lbs. 240 doz.	$605.	88
44309 Kobe #1/20						

Waybill or Manifest
No. ....., 191

I CERTIFY that above-described goods were shipped as stated herein except as otherwise noted,
....., 191 ....., *Inspector of Customs.*

I, the undersigned, solemnly and truly declare that the above statement is a complete, just, and true account of all merchandise shipped by the party named; on board the vessel, car, or vehicle; and to the place or country named above; and that the description and quantity of each article is truly stated and that the values thereof are the actual costs or true market values at the time and place of shipment for exportation; I further declare that none of the merchandise described above is to be laden on any other vessel in port than that named above or transshipped on the high seas except as fully stated above; I further declare that none of said merchandise is shipped or to be delivered in violation of any of the provisions of the "Trading with the Enemy" act, approved October 6, 1917; that Reizo Matsuoka, of Kobe, Japan is the actual consignee of the said merchandise, and that if the shipment is made to a bank or other broker, factor, or agent, that ....., is the actual consignee on whose account the shipment is made.
(Name) (Address)

Sworn and subscribed to before me on January 2nd, 191 9.

PRO FORMA
(Deputy Collector, notary public, etc.)

(Signature) PRO FORMA

(Capacity) Agent
(Member of firm, secretary, agent, etc.)

(Address) 1 Broadway, New York

Shipper's Export Declaration. Four copies must be prepared and attested for shipments to the Far East.

INSTRUCTIONS

Read carefully to avoid delay at shipping point.

This form must be prepared in quadruplicate for all merchandise shipped to a foreign destination except shipments in transit through the United States from one foreign country to another and in duplicate for merchandise shipped between the United States and its noncontiguous territory. When merchandise is shipped foreign, four copies of this form must be presented to the collector of customs for each consignment. The collector will retain the original and one copy and deliver the other two copies to the shipper. The shipper will present one copy to the steamship company and deliver the other copy with the goods to the inspector of customs on the dock, without which no goods will be received. The copy delivered to the steamship company must accompany the goods on their voyage and be delivered by the master to the American Consular officer with the manifest at the port of discharge. The copy delivered to the inspector of customs upon which he will make his notifications of short shipment, etc., must be delivered to the vessel to be attached to the manifest delivered to the collector upon clearance.

Export license number and date of expiration must appear immediately above goods shipped thereunder.

The War Trade Board code number of the article given on the export license must be inserted after each commodity in the column following the description on the face of this form.

If goods are to be delivered to other vessels in port or transshipped on the high seas, the articles, quantities, and values, and name and address of person, corporation, vessel, Government, etc., to whom transferred or delivered, must be stated on this form.

1. **Shipments from interior points for exportation.**—If shipped on a through bill of lading, the shipper must prepare the original export declaration in quadruplicate for foreign shipments and in duplicate for shipments between the United States and its noncontiguous territories and deliver forms to the carrier to accompany the shipping papers to the port of exportation. If shipped on a local bill of lading, the declarations may be attached thereto or mailed separately to the consignee at the seaboard.

(*a*) If the shipper prefers, he may place the original declaration, but not the carrier's extract, in a sealed envelope addressed to the Collector of Customs with his name indorsed thereon and the fact of sealing noted on the declaration and deliver it with the extract to the carrier. If goods are consigned to an agent at the seaboard for transshipment and exportation the shipper may mail the declaration and extract properly prepared direct to the agent.

(*b*) Upon arrival of the goods at the port of exportation, the carrier must immediately deliver the original declarations, sealed and unsealed, and the carrier's extracts to the Collector of Customs who will retain the original and certify the extract and return it to the carrier, vessel, or party named to attend to exportation.

2. **Exporting vessel or carrier.**—Care should be exercised in receiving goods destined for foreign countries or noncontiguous territories not accompanied by certified extracts or original declarations, as clearance will not be granted until the export declarations have been filed with the Collector. The copy must be attached to the vessel's manifest or car manifest or copy of waybill when presented for clearance.

3. **Before a clearance shall be granted for any vessel** bound to a foreign port, the owners, shippers, or consignors of the cargo of such vessel shall deliver to the Collector manifests (or declarations) of the cargo or the parts thereof shipped by them respectively, and shall verify the same by oath. Such manifest (or declarations) shall specify the kinds, quantities, and values of the articles and the foreign port or country of destination. (See sec. 4200, Rev. Stats., U. S.)

If any vessel bound to a foreign port departs on her voyage without delivering manifest and obtaining clearance, the master or other person in charge shall be liable to a penalty of $500 for every such offense. (See sec. 4197, Rev. Stats., U S.)

Similar provisions apply to exportations by rail, vehicle, or ferry. (See sec. 1, act March 3, 1893.)

4. **The shipper must prepare this export declaration** and sign the four copies and the oath be taken on the original before a customs officer, notary, or other authorized officer. The declaration must be signed by the shipper, but the oath may be omitted on shipments to Canada or Mexico by car, vehicle, or ferry. If the declaration is executed by an agent for the shipper the authority must be in writing on this declaration or other document filed with the Collector. The values and names of shippers may be omitted from the copies to be delivered to transportation company, but must always appear on the original and the copy for use of War Trade Board. The original is for the use of customs officers and will be treated as confidential and information not disclosed without written authority of the shipper or his agent. Export statistics are compiled from these declarations and all data required on the prescribed form must be furnished.

5. **Domestic articles exported.**—The value of all articles grown, produced, or manufactured in whole or part in the United States must be stated in the column of "U. S. Products."

6. **Foreign articles exported.**—The value of articles of foreign origin shipped out of the United States in the same condition as imported must be stated in the column of "Foreign Products." If foreign articles are subjected to any process of manufacture or alteration in the United States they become United States products and must be reported as such. Thus: Imported raw sugar refined in the United States should be reported as a domestic product.

7. **The value of articles** to be stated is the selling price or the true market value at the time and place of shipment for exportation.

8. **Description of articles exported** must be accurate and complete. General terms such as dry goods, groceries, meats, machinery, millinery, etc., will not be accepted. In the case of cheese the declaration must state whether filled or unfilled, olcomargarine whether colored or uncolored, butter whether pure, adulterated or renovated.

9. **The kind of packages** as boxes, barrels, etc., and the net weight exclusive of outer coverings, must be specified.

10. **The total quantity** of each article expressed in the usual measure of pounds, tons of 2,240 pounds, yards, gallons, etc., must be stated. Domestic spirits exported must be stated in gallons of 50 per cent alcoholic strength.

11. **The country of final destination of goods**—that is, the country to which goods are sold—must be shown. Special care should be exercised to state the final destination of goods shipped through Canada to Europe, and of goods to be transshipped in the United Kingdom, the Netherlands, Germany, and France en route to other countries.

12. **Inspection certificates.**—Process butter or butter adulterated or renovated must be accompanied by certificate of purity issued by the United States inspector of dairy products. Certificate of inspection must be presented to the Collector for meat and meat food products exported when required by the regulations of the Department of Agriculture.

13. **Export schedule B** may be obtained free of charge from the Bureau of Foreign and Domestic Commerce, Department of Commerce, Washington, D. C., and will be of much assistance to exporters.

14. **Sale and printing of blanks.**—Shippers export declarations may be obtained from Collectors of Customs at the price of 25 cents per block of 100. The export declarations may be printed by private parties providing they conform strictly to the official form in width, wording, color, and arrangement.

To the Collector: I hereby authorize John Smith,

address #1 Broadway, New York., to act as my agent for customs purposes in the exportation of the within-described goods. Please deliver the certified duplicate accordingly.

PRO FORMA

Shipper.

at the port of embarkation. All that he is required to do in this case is to consign the goods to the foreign freight forwarder with the necessary instructions and the latter will do the rest. If, on the other hand, the manufacturer is to take the entire responsibility—such as engaging freight space, preparing the shipping documents, etc.,—there is a certain routine that must be followed. It is something like this:

Inquiry about rates among the steamship companies operating lines to the ports for which shipments are intended must be made first of all.

When a satisfactory rate has been obtained freight space must then be engaged. The steamship companies have their own individual rules regarding the booking of freight space. Information must be obtained from them.

A Shipping Permit which instructs the receiving clerk at the steamship company's dock to accept freight of the shipper on a stated date is delivered to the manufacturer or agent when the freight space has been obtained.

The Shipping Permit reads something like this:

To the Receiving Clerk.
S.S. "Imperial"
PAN-AMERICAN STEAMSHIP CO. WHARF
Pier North River
RECEIVED FROM Smith Exporting Company
Twelve (12) cases Typewriters
To be delivered September 18-25

It is to be understood that this engagement is on the condition that delivery shall be made promptly at the time called for in this permit or space will not be reserved, and the steamer and its agents shall be absolved from any and all liability arising out of the issuance of or under this permit, including any liability that may arise on account of the steamer's proceeding to sea without the goods.

PAN-AMERICAN STEAMSHIP COMPANY
Per..... .....ProForma.....
New York September 15, 1919.

A clause stating that all risk of loss or damage while goods are on the wharf is to be incurred by the shipper, etc., is written into the usual Shipping Permit.

Upon presentation of the Shipping Permit at the dock the drayman is given a Dock Receipt signed by the receiving clerk which serves as an acknowledgement of the receipt of the goods for shipment by the steamer. The Dock Receipt contains the weights and measures of the goods received. It is customary for the shipper to supply his own receipt forms when several deliveries are to be made to the steamer and against one Shipping Permit. When all the goods have been delivered at the pier the shipper may present these receipts which have been signed by the receiving clerk and obtain possession of the Dock Receipt which covers the details of each delivery.

Having an acknowledgement in the form of a Dock Receipt from the receiving clerk that the goods have been delivered the shipper is now prepared to go through the formality of clearing the shipment through the custom house at the port. This must be done before the steamship company issues its formal bill of lading. Clearance involves the preparation of a Shipper's Export Declaration in which the following information is written:

Name of steamer; destination, marks and numbers of packages; the kind of goods contained in each; value, etc. The description of the goods must be correct and if the shipper is unable to supply this specific information he should consult the official schedule of classification of goods which may be obtained from the Bureau of Foreign and Domestic Commerce. The information given in the declaration must be absolutely correct as it is from these statistics that the governments of the world compile their reports on commerce.

The Shipper's Export Declaration must now be attested by either the manufacturer or some agent upon whom formal authority has been bestowed for this detail.

Upon presentation of the certified Shipper's Export Declaration, the Dock Receipt, or other necessary papers including the bill of lading, at the steamship company's office the latter will be duly signed and turned over to the shipper.

Principles of Steamship Bill of Lading

A bill of lading is a receipt for goods as well as a contract

DAMAGED PAGE(S)

PAN-ASIAN STEAMSHIP COMPANY

44 WHITEHALL STREET,
NEW YORK

BETWEEN NEW YORK AND FAR EASTERN PORTS

Panama Canal

The steamship is to sail via ... but the steamship and her owner reserve the right to deviate from the said route or to change the route, before, at or after sailing on the voyage and/or at any stage thereof, in the event that circumstances shall arise which render it advisable or desirable in the judgment of the owner and/or master of the steamship to deviate from or change the said route. If such change of route involves discharging part cargo in order to allow of taking additional bunkers at any place or places, the master is entitled to discharge any portion of the cargo at such place as he thinks advisable and to arrange for same to be forwarded by other means to its destination at ship's expense but at merchants' risk.

SHIPPERS MARKS & NUMBERS

R M
57
44309
Kobe
#1/20

Twenty (20) Cases Face Cream

Export License
#56908

Export Declaration
#6874263

Notify ultimate consignee

Reizo Matsuoka,

Kobe, Japan

30	feet	@	$60	per 40c. ft.	$45
	"	@		" " "	
	"	@		" " "	
	"	@		" " "	
	lbs.	@		per ton	
	"	@		" "	
	"	@		" "	
	"	@		" "	
			Total,		$45

Ex @ 4

ATTENTION OF SHIPPERS IS CALLED TO THE ACT OF CONGRESS OF 1851 which provides that: Any person or persons shipping Oil of Vitriol, Unslacked Lime, Inflammable Matches or Compounds, in a ship or vessel taking cargo for divers persons, on Freight, without delivering. SHIPMENT a note in writing expressing the nature or character of such merchandise to the Master, Mate or person in charge of the lading of the ship or vessel, shall forfeit to the United States ONE THOUSAND DOLLARS.

PREPAID

★

Port of Destination Kobe

Received in apparent good order and condition from F.C. Supply Co.

to be transported by the good steamship Graafaxe to sail from the port of NEW YORK and bound for FAR EASTERN PORTS via Panama Canal, Suez Canal or Cape of Good Hope, or otherwise with liberty to substitute another steamer, or steamers, or to transship the goods before or after the commencement of the voyage by any other steamer, or steamers, and also with liberty to drydock with or without cargo on board, to proceed to and stay at any ports or places whatsoever, although in a contrary direction to, or out of the route to or beyond the port of discharge, once or oftener, in any order, backwards, or forwards, for loading or discharging cargo, coal and passengers, or for any purpose whatsoever, and all such ports, places and sailings shall be deemed to be included within the intended voyage (this liberty is not to be considered as restricted by any words in this contract, whether written or printed).

Twenty (20) Cases Face Cream 1760 lbs.

being marked and numbered as per margin, shipper's weight (quality, quantity, content marks, gauge, weight and value unknown), and to be delivered subject to the exceptions and conditions hereinafter mentioned in like apparent good order and condition from ship's deck (where carrier's responsibility shall cease) subject to ship's engagements not hereby disclosed and through altering the voyage or involving a deviation therefrom, at the port of Kobe (or as near thereto as she may safely get) unto Order or to his or their assigns, Freight for the said goods to be paid by the shippers in New York, on delivery of Bills of Lading, in cash without deduction.

IT IS MUTUALLY AGREED:—

That the steamer shall have liberty to sail with or without pilots, and to deviate for the purpose of saving life or property, that the carrier shall have liberty to convey goods in craft and/or lighters to and from the steamer at the risk of the owners of the goods; to transship the goods to their destination by any other steamer or steamers as often as the shipowner elects.

That the carrier shall not be liable for loss or damage occasioned by perils of the sea or other waters and dangers of navigation or whatsoever kind, by collision, stranding, jettison or wreck; or for loss or damage due to or caused by any act, default or omission of the Administration, either of the Suez Canal or of the Panama Canal, or from any interruption of traffic through the Suez Canal or through the Panama Canal, by fire from any cause or wheresoever occurring on board in craft or on shore; by barratry of the master or crew; by enemies, pirates, robbers or thieves, by land or sea; by theft by any person on board, in craft or on shore, whether in the employ of the shipowner or not; by arrest or restraint of princes, rulers or people; by hostilities, by riots, strikes, or stoppage of labor or epidemics; by explosion; by bursting of boilers, or by steam, however arising; by breakdown of shafting or machinery; by defect in any part of the hull, boilers, engines, machinery or appurtenances of the vessel; by unseaworthiness of the steamer, whether existing at time of shipment or at the beginning of the voyage, provided the owners have exercised due diligence to make the steamer seaworthy; by heating, frost, decay, evaporation, smell or taint from or contact with other goods, putrefaction, rust, sweat, rain or spray, change of character, drainage, leakage, breakage, vermin, or by explosion of any of the goods, whether shipped with or without disclosure of their nature, or any loss or damage arising from the nature of the goods or the insufficiency of packages or inaccuracy or obliterations, errors, insufficiency or absence of marks, numbers, address or description of cargo; or for land damage; or for risk of craft, hulk or transshipment; or for any loss or damage caused by the prolongation of the voyage; and that the carrier shall not be concluded as to the correctness of statements herein of quality, quantity, gauge, contents, weight and value.

That General Average shall be payable according to York-Antwerp Rules, 1890, and as to matters not therein provided for according to the usages of the Port of New York. Average Bond with values declared therein to be signed, also sufficient security to be given as required by Master or Agents. If the owners shall have exercised due diligence to make the steamer in all respects seaworthy and to have her properly manned, equipped and supplied, it is hereby agreed that in case of danger, damage or disaster, resulting from accidents or faults or errors in navigation, or in the management of the steamer, or from any defect in the steamer, her machinery or appurtenances, or from unseaworthiness, whether existing at the time of shipment or at the beginning of the voyage (provided the defect or the unseaworthiness was not discoverable by the exercise of due diligence), the shippers' consignees or owners of the cargo shall, nevertheless, pay salvage, and any special charges incurred it respect of the cargo, and shall contribute with the shipowner in General Average to the payment of any sacrifices, losses or expenses of a General Average nature that may be made or incurred for the common benefit, or to relieve the adventure from any common peril, all with the same force and effect, and to the same extent, as if such danger, damage or disaster had not resulted from, or been occasioned by, accidents or faults or errors in navigation, or in the management of the vessel, or any defect or unseaworthiness.

IT IS ALSO MUTUALLY AGREED that this shipment is subject to all terms and provisions of, and all the exemptions from liability contained in the Act of Congress of the United States, approved on the 13th day of February, 1893 (and entitled, An Act Relating to Navigation of Vessels, etc.), and nothing in this Bill of Lading shall operate to limit or deprive the Shipowner or carrier of any Statutory protection or limitation of liability to which he would, in the absence of the conditions and exceptions herein, have been entitled.

1.—IT IS MUTUALLY AGREED that the value of the goods receipted for above does not exceed $500 per freight ton, or in proportion for any part of a ton, unless the value be expressly stated herein and ad valorem freight paid thereon.

2.—ALSO, that the steamer, lighter or carrier shall not be liable for Articles specified in Section 4281 of the Revised Statutes of the United States, unless written notice of the true character and value thereof is given at the time of lading and entered in the Bill of Lading.

3.—ALSO, that the shippers shall be liable for any loss or damage to steamer, cargo, lighter or wharf, caused by inflammable, explosive, or dangerous goods, shipped without full disclosure of their nature, whether such shipper be Principal or Agent; and such goods may be thrown overboard or destroyed at any time without compensation. Extra charges, if any, for discharging, lighterage or other expenses on hazardous goods, declared or considered as such by civil or military authorities must be borne by shippers and/or consignees.

4.—ALSO, that the carrier shall have a lien on the goods for all freights, primages and charges, and also for all fines or damages which the steamer, lighter or cargo may incur or suffer by reason of the incorrect or insufficient marking, numbering or addressing of packages or description of their contents. Bills of Lading must be made out in accordance with the prescriptions and regulations of Port, Customs or Consular authorities. Consular, Board of Health or other certificates required to accompany the goods are to be procured by shippers, and any detention, charges or penalties occurring to steamer or cargo, owing to the want of such certificates, are to be borne by the shippers and/or consignees, and the cargo to be subject to lien therefor.

5.—ALSO, that in case the ship shall be prevented by quarantine from discharging the goods at the usual place of discharge or from reaching her destination, the carrier may discharge the goods into any Depot or Lazaretto, either at that port or at any previous or subsequent port at which the ship calls, and such discharge shall be deemed a final delivery under this contract, and all the expenses thereby incurred on the goods shall be a lien thereon.

6.—ALSO, that in case of war, hostilities, insurrections, civil commotion, strikes or lockouts, disturbances, blockade or interdict of the port of discharge, warlike or naval operations or demonstrations, whether at or near the port of discharge or elsewhere in the course of the voyage, or of ice or closure by ice, or of the happening of any other matter of event, whether of like nature to those above mentioned or otherwise, and whether existing or anticipated, before commencement of or during the voyage, which in the judgment of the Master is likely to result in damage to or loss of the vessel or give rise to risk of capture, seizure or detention of vessel and/or cargo, or of any part of the cargo, or which in his judgment may make it unsafe or imprudent for any reason to proceed on or continue the voyage, or enter or discharge cargo at the port of discharge, or which in his judgment is likely to give rise to delay or difficulty in reaching, discharging at or leaving the port of discharge, the Master shall be at liberty, in his discretion, to change to and proceed by any route direct or indirect or to deviate or to proceed or return to or stop and discharge the cargo, or any part thereof, at such other port or ports as he may consider safe or advisable, under the circumstances, and thereupon when so discharged the cargo shall be at the risk and expense of the shippers and/or receivers thereof, and the steamer her Owners, Agents and Master shall be freed and discharged from any further responsibility in respect thereof.

TRANSSHIPMENT CLAUSE:—Transhipment of cargo for ports where ship does not call, or for shipowner's purposes, is to be at the shipowner's expense and subject to all conditions, stipulations and exceptions in the customary form of bill of lading freight note in use at the time of the transhipment by the carrier or carriers completing the transit. The shipowner is not, and shall not be deemed to be the agent for such carrier or carriers, nor shall the shipowner be liable in any respect whatever for any loss, damage or delay in regard to the goods after they shall have left the steamship's tackle and/or where the steamship's responsibility shall cease. The goods shall be forwarded as soon as practicable, but the shipowner shall not be liable for detention and the risks and expenses of warehousing shall be borne by the goods, their owners and their consignees.

TIENTSIN AND SHANGHAI CARGO may be lightered from below the bar and HONG KONG CARGO from alongside at shipowner's option and expense, but at consignee's risk.

MANILA AND PHILIPPINE PORTS CARGO—In accordance with the regulations of the Philippine Islands, Customs Service, cargo is to be conveyed, by the ship's agents, at consignee's risk and expense, from the steamer to the Custom House wharf, and there delivered into the Custody of the United States Custom House, for account of the consignee; and such delivery shall constitute a full discharge of the carrier's obligation, under this Bill of Lading, unless it be made to appear that exception was taken to the sufficiency of the delivery, by the Customs authorities or employees, when the goods were delivered into their custody. In the event of such exception being taken, notice of any claim intended to be made for shortage, loss or misdelivery of, or any damage to cargo, shall be presented by the consignees or their agents, in writing, to the ship's agents at Manila, within ten days after the completion of the discharge of the vessel, and in default of such notice, the claim shall be deemed to have been waived, and neither the vessel, her Owners, Agents or Master shall be liable therefor.

PREPAID FREIGHT is to be considered as earned on shipment of the goods and is to be retained by the ship-owner, vessel or cargo lost or not lost, or if there be a forced interruption or abandonment of the voyage at a port of distress or elsewhere; and in the event of the cargo or a part of it being forwarded by vessels of the same Line, or otherwise, the cost of forwarding shall be payable by the Owners or Consignees of the goods and shall constitute a lien on the goods.

In accepting this Bill of Lading, the shipper, owner and consignee of the goods, and the holder of the Bill of Lading agree to be bound by all its stipulations, exceptions and conditions, whether written or printed, as fully as if they were all signed by such shipper, owner, consignee or holder.

IN WITNESS WHEREOF, the Master or Agent of said Ship hath affirmed to three Bills of Lading, all of this tenor and date, one of which being accomplished, the others to stand void.

7.—ALSO, that the goods are to be received by the consignee immediately the vessel is ready to discharge, and continuously at all such hours as the Custom House or Port Authorities may give permission for the ship to work, or if necessary, to discharge into lighters at the risk and expense of the Consignee. And it is expressly understood that the articles named in this Bill of Lading shall be at the risk of the Owners, Shipper, or Consignee thereof as soon as delivered from the tackle and/or deck of such steamer at her port of destination, and they shall be received by the Consignee, package by package as so delivered, and if not taken away the same day by him they may (at the option of the Vessel's Agent) be sent to store or warehouse, or permitted to lie where landed at the expense and risk of the aforesaid Owner, Shipper or Consignee, and shall be subject to a lien for wharfage, rent of dock, wharf or store or any other expense that may be incurred in respect thereof. If on the arrival of the steamer at the port of delivery any of the bales or packages shipped under the Bill of Lading cannot be identified by reason of insufficiency of marks, obliteration of marks, or no marks, then in any such case, the Receivers shall take in full discharge, accord and satisfaction, any bales or packages which may be on board the steamer and be tendered them by the Owners or their Agents, notwithstanding that such bales or packages do not bear the marks and description indicated in the margin thereof. The Collector of the Port is hereby authorized to grant a general order for discharging immediately after the entry of the ship.

8.—ALSO, that in case any part of the within goods cannot be found during Ship's stay at port of destination, they are, when found, to be sent back at the Merchant's risk and Ship's expense. The Ship shall not be liable for incorrect delivery unless such packages shall have been distinctly and permanently marked by the Shipper befofe shipment with the name of the port of destination. Goods overcarried to be returned to Consignee at Ship's expense, but free from liability for any loss, depreciation or damage arising from overcarriage or from return carriage.

9.—ALSO, that in the event of claims for short delivery of, or damage to, cargo being made, the Carrier shall not be liable for more than the net invoice price plus freight and insurance less all charges saved, and any loss or damage for which the Carrier may be liable shall be adjusted pro rata on the said basis.

Neither the Carrier, the Vessel, nor the Agents shall be liable for any claim for loss of or damage to goods in any event unless notice in writing of the claim shall have been presented to the Ship's Agents at the port of discharge before the removal of the goods from the Ship's custody, except at Manila as hereinafter provided for.

10.—ALSO, that merchandise on wharf or in lighter or other craft shall be at Merchandise Owner's risk of loss or damage in every case and particular unless it shall be proven that such loss or damage has been caused by the fault or negligence of the Carrier or his servants.

11.—ALSO, that the Shippers are hereby notified that this and all steamers of this Line carry general cargo for all ports, including kerosene oil and products of petroleum, spirits of turpentine, all kinds of chemical products and liquids in cans, cases, barrels or packages, and it is agreed that steamer and owners shall not be held liable for any damage to the within cargo resulting from carriage or stowage with, or proximity to, or the effect of other cargo on board.

12.—ALSO, that Glass, China, Castings and other goods of a brittle and fragile nature or unprotected pieces are carried at Shipper's risk only, the steamer not to be held responsible for any breakage of or injury thereto.

The ship shall not be responsible for packages opened and/or examined by or in behalf of any government, whether prior to or subsequent to shipment.

"The ship shall have liberty to comply with any orders or directions as to employment, departure, arrival, routes, ports of call, stoppages, requisitions, or to any other subject whatsoever given by any Government, or any department thereof, or any person acting or purporting to act with the authority of any Government, or any department thereof, or by any committee or persons having under the terms of a war risk insurance (if any) the right to give such orders or directions and, if the reason of and in compliance with any such orders or directions, anything is done or not done, the same shall not be deemed a deviation, or other default, and shall not give rise to any liability on the part of the ship or her owners. It is further a term of this contract that, notwithstanding anything to the contrary contained herein, the ship in pursuance of advices, orders or directions aforesaid, refuse to receive cargo, or may sail with part cargo only, and may discharge the whole or part of the cargo at any port or place whatsoever, where ship's responsibility shall cease, or may tranship at any stage of the voyage the whole or part of the cargo into any other vessel for carriage to the port of destination or to any other port or place whatsoever."

In view of war conditions, the ship has liberty to proceed via any route to destination, and to deviate from or change the advertised, or customary route at any time or stage of the voyage, and to keep the steamer in port or to put into or remain at any port, should circumstances, in the opinion of the ship or of the master, render either of said courses advisable.

Dated in New York, this 6th day of January, 19 19

Pan-Asian Steamship Company
Agents for Master,

BY PRO FORMA

Steamship Bill of Lading. From three to eleven copies are required under different circumstances. Three signed copies constitute a negotiable "full set." Should be indorsed on back by shipper. There are many forms of Ocean Bill of Lading. This Bill of Lading has been drawn "to order" with the "notify" clause. It is endorsed in blank by the shippers. When a Bill of Lading is drawn directly in the name of a foreign consignee no endorsement by shippers is necessary.

to carry them. It is negotiable. When drawn to a shipper's own order or to a consignee it conveys ownership in the goods it represents. Hence, it requires the endorsement of a person in authority. The signature of a clerk is not sufficient.

Bills of Lading are furnished by the steamship companies without charge usually. They are made out by the shippers. The number of copies that the shipper is required to prepare depends on the number he needs for his own purposes, and the number the steamship company and consular office may require.

Not all steamship bills of lading furnished by the shipper are negotiable, however. Only the signed copies, usually two or three in number, are negotiable and these constitute what is called a "full set." Banks through which the customary documents are to pass generally require a full set of steamship bills of lading. Unless the bank has all these documents in its possession it has not the necessary title to the goods involved. A single bill of lading—negotiable—not in the possession of the bank eliminates the latter's security in the goods.

The non-negotiable copies of the bill of lading may be used for the manufacturer's files or for the customer abroad. The steamship company will require at least one copy. The consular offices must be supplied with at least one copy as well.

When Title to Goods Is Transferred

Unless the consignee has paid cash in advance, or has furnished security of some kind to justify the transfer of an open account the bill of lading will not be made out directly to the foreign customer. No experienced exporter is willing to give an importer title to the goods unless the latter has either made a settlement before the goods are shipped or furnished security of some kind to justify the transfer of title. When the shipper desires to ship the goods but retain title he makes the bill of lading out "to order." Not until the shipper endorses the bill of lading drawn after this fashion does title pass from one person to the other. Neither can any one obtain possession of these goods unless the bill of lading is properly endorsed by the shipper.

It is permissible to insert a "Notify" clause on the margin of the bill of lading authorizing the steamship agents to notify the consignee of the arrival of the goods at the port of destination. The "Notify" clause simply reads: "Notify Smith and Co." or who ever happens to be the consignee. Title, however, is not transferred until the consignee is able to produce a properly endorsed bill of lading which he may have obtained from the bank after a satisfactory disposal of the draft has been made. Or, he may have obtained a properly endorsed bill from the shipper himself.

If the bill of lading is drawn to the order of the shipper then the latter must endorse it before title to the goods can be transferred. If the bill is drawn to the order of the consignee the latter may obtain possession of the goods upon endorsing it. The shipper's endorsement in this case is not necessary. The formality of endorsement is necessary in the "full set" of bills of lading.

How Bills of Lading May Be Endorsed

Bills of lading may be endorsed either "specially" or "generally." When endorsed "generally" the person in possession of the document is entitled to the goods. If the person claiming the goods is unable to produce a properly drawn bill of lading he may furnish a bond to the steamship company to protect it against any claims that might arise through the appearance of the rightful owner. It is not very often that occurrences like this are recorded, but in order to avoid any such situations the shipper should be very careful about his bills of lading. He should see that they are properly endorsed and directed to the proper persons.

How Bills of Lading Are Made Out

There are no uniform bills of lading. They vary in size, shape and color. The clauses contained therein are generally alike although in some instances there appear slight modifications in order to comply with conditions or customs in certain countries. Some of these clauses protect the steamship com-

MODEL OF INVOICE WHICH MUST BE FILED WITH GENERAL CONSULATE OF CHILE IN UNITED STATES

No.....s

CONSULADO GENERAL DE CHILE EN LOS ESTADOS UNIDOS.

(GENERAL CONSULATE OF CHILE IN THE UNITED STATES)

Nueva York, EL 26 DE ABRIL DE 1917.

Factura *de las mercaderias despachadas por* THE REMINGTON ARMS UNION METALLIC CARTRIDGE COMPANY INC.
(INVOICE OF MERCHANDISE SHIPPED BY)

en Nueva York abordo del vapor (NAME OF STEAMER) *con destino al*
(IN NEW YORK ABOARD THE STEAMER) (DESTINED FOR THE PORT OF)

puerto de VALPARAISO CHILE *á consignación de* C. STEVENSON & CO
(TO THE CONSIGNMENT OF)

de SANTIAGO CHILE *por cuenta de* C. STEVENSON & CO
(OF) (FOR ACCOUNT OF)

valor total de la mercaderia *oro americano*
(TOTAL VALUE OF THE MERCHANDISE) (AMERICAN GOLD)

MARCAS (Marks)	NUMEROS (Numbers)	BULTOS (Packages)	CLASE (Class)	CONTENIDO (Contents)	PESO TOTAL EM KILOS (Total weight in Kilograms) NETO (Net)	BRUTO (Gross)	VALOR TOTAL DE CADA ITEM DE MERCADERIA (Total value of each item)
C.S. & C. VALPARAISO	#100/102.	3	CAJAS	CARTUCHOS CARGADOS PARA REVOLVERES. 10000.- CALIBRE 32. 10000.- CALIBRE 38.	223.45	241.26	
	#103/110.	8	CAJAS	CARTUCHOS CARGADOS PARA ESCOPETAS. 8000.- 16 GAUGE. 8000.- 12 GAUGE.	739.20	820.78	
	#111/114.	4	CAJAS	ARMAS DE FUEGO. 20 RIFLES CALIBRE 22. 20 ESCOPETAS .12 GAUGE.	206.78	264.84	
SUMA (TOTAL)		15			1169.43	1326.88	

THIS COLUMN MUST SHOW MARKET VALUE OF EACH ITEM

SPECIMEN

THE REMINGTON ARMS UNION METALLIC CARTRIDGE COMPANY INC.

PER.....

Consular Invoice, Chilian form. All shipments to Chile must be accompanied by Consular Invoice.

pany against claims on the order and condition in which goods were shipped. Therefore, the clause reading "Shipped in good order and condition" applies only to the external condition of the cases or packages. Steamship companies are not presumed to know the condition of the goods within their cases, according to court decisions the world over.

The clause "quality, quantity, gauge, contents, weight and value unknown" is aimed to protect the steamship company against claims involved in the descriptions cited. However, the steamship company may be held responsible for damage to goods when such damage is not covered in the bill of lading clauses. For self protection, therefore, it is very careful in the matter of receiving goods in damaged cases or packages. When such packages have been received a notation is made on the dock receipt as well as on the bill of lading. When this condition is reported on the bill of lading it becomes known as a "foul" bill. Bankers frown on "foul" bills because they are always susceptible to claims at the other end. Shippers should be very careful against permitting damaged packages to be sent. Instructions should be left with the receiving clerks to advise them whenever broken cases arrive at the dock so that they may be replaced and a "clean" bill of lading obtained. Sometimes, however, the steamship company may be induced to issue a "clean" bill even though it has received a number of cases or packages in a damaged condition. The steamship company in this case will require a "letter of indemnity" from the shipper, however, which shall protect the former against losses arising from claims at the port of destination. If these claims arise the steamship company will settle and later recover from the shipper. Letters of indemnity are attached to the steamship company's bill of lading.

The Shipowner's Liability to the Shipper

The shipowner must see that the ship is seaworthy at the beginning of the voyage. It must be free from defects of any kind. If an accident occurs on the high seas and it is due to a defect that existed before the steamer left port the shipowner will be liable for all damage to merchandise. If, how-

ever, an accident occurs after the ship leaves port, and was not due to some defect that existed before the ship left port, the shipowner is free from liability.

Size of Packages Required in Shipment

Some steamship companies issue Parcel Receipts to cover packages of a limited size and of small value. These command a very small freight rate. The feature of these Parcel Receipts lies in the opportunity that the consignee has of examining and showing samples of goods shipped by the same vessel on regular bills of lading. Consignees are often able to sell their stock from the samples while the cargo is still being unloaded. Parcels having a small value may also be shipped under a Parcel Receipt although restrictions as to size and value are made by the steamship companies. Packages measuring more than 3 to 5 feet will rarely be accepted. Neither shall they be valued at more than $50. Parcel Receipts, moreover, do not cover the steamship company with as much responsibility as the bill of lading.

Consular Invoice in Foreign Trade

A consular invoice, regarded by many manufacturers and exporters as a nuisance, is a document in which the details of an invoice must be accurately stated, and presented and sworn to by the shipper or his representative in the consulate of the country to which the goods are to be sent. All the important foreign countries maintain consulates in the principal American ports. Some consulates require two copies, others five or six or eight. It depends on the regulations of each individual country. Consular invoices may be obtained at the consular offices for a nominal price. Each country has its own regulations in connection with the charges made for certifying consular documents. Consular invoices are required for large shipments only and not for parcel post packages, excepting in the case of one or two Latin American countries.

The lack of uniformity in consular regulations affecting

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Some steamship companies issue Parcel Receipts to cover packages of a limited size and of small value. These command a very small freight rate. The feature of these Parcel Receipts lies in the opportunity that the consignee has of examining and showing samples of goods shipped by the same vessel on regular bills of lading. Consignees are often able to sell their stock from the samples while the cargo is still being unloaded. Parcels having a small value may also be shipped under a Parcel Receipt although restrictions as to size and value are made by the steamship companies. Packages measuring more than 3 to 5 feet will rarely be accepted. Neither shall they be valued at more than $50. Parcel Receipts, moreover, do not cover the steamship company with as much responsibility as the bill of lading.

Consular Invoice in Foreign Trade

A consular invoice, regarded by many manufacturers and exporters as a nuisance, is a document in which the details of an invoice must be accurately stated, and presented and sworn to by the shipper or his representative in the consulate of the country to which the goods are to be sent. All the important foreign countries maintain consulates in the principal American ports. Some consulates require two copies, others five or six or eight. It depends on the regulations of each individual country. Consular invoices may be obtained at the consular offices for a nominal price. Each country has its own regulations in connection with the charges made for certifying consular documents. Consular invoices are required for large shipments only and not for parcel post packages, excepting in the case of one or two Latin American countries.

The lack of uniformity in consular regulations affecting

9-18 25M AAR 27232

Republica del Ecuador

Factura Consular de las mercaderias que por cuenta de LOS Sr. ES THE GEO L. SQUIER MFG COMPANY de NUEVA YORK CIUDAD remit EN a L Sr. B VIGNOLD del puerto de GUAYAQUIL a bordo del VAPOR " ADVANCE " su Capitan _____, procedente de New York, con destino a GUAYAQUIL ECUADOR cuyo valor es de $ 493.25, equivalentes a S/. 986.50. Un sucre igual a $0.50.

MARCAS	NUMEROS	BULTOS	CLASE	CONTENIDO	Peso Bruto en Kilogramos	Peso Neto en Kilogramos	VALOR en Dolares	
B V GUAYAQUIL	1/2-11/12	4	CAJAS	MAQUINAS PARA LA INDUSTRIA	710	524	$ 493	25
	TOTAL	4	CAJAS		710	524	$ 493	25

New York. 20 DE MAYO DE 191 9

Derechos recaudados:

No. 16 $ 14 80 Dolares

CONSULADO GENERAL DEL ECUADOR EN NUEVA YORK

El infrascrito Consul General de la Republica del Ecuador certifica la factura precedente de (4) Bultos con el peso de (710) Kilogramos, presentada en 5 ejemplares iguales por LOS Sr. ES CALDWELL & CO AGENTES

New York, MAY 22 1919

Consul General.

Consular Invoice, Ecuaderian form. While Consular invoices are required for nearly all Latin-American countries there is a distinction the method of drawing up Consular Invoices as an examination of the Chilian and Ecuaderian forms will indicate.

LEY DE ADUANA

ART. 67.—Cuando los Administradores de Aduanas observaren que el valor real de las mercaderías enumeradas en la factura consular es evidentemente mayor que el declarado en ella, pondrán este hecho inmediatamente en conocimiento del Jurado de Aduanas, para que este, plenamente comprobado el hecho, y con audiencia del interesado imponga como pena el quíntuplo de la cantidad que, por efecto de la falsa declaración, se pretendio defraudar por derechos de certificación. El valor que se debe declarar es el de la mercadería en el lugar de origen.

Los Cónsules que, al certificar una factura encontraren notable diferencia entre el valor respectivo y el declarado, harán presente tal circunstancia al embarcador; y si este insistiere en el despacho, certificarán la factura, y, por el correo inmediato prevendrán de lo ocurrido al Administrador de la Aduana correspondiente al puerto hacia el cual va dirigido el cargamento En caso de litigio entre el vendedor y el importador aquel no podra demandar a este sino por el valor declarado en la factura consular.

ART. 71.—Si al recibir el importador la factura consular encontrare algún error en las declaraciones o pesos que puedan ocasionarle penas podra evitarlas presentando el Gobeernador de la Provincia, dentro de los primeros seis días hábiles de haber llegado el cargamento, una solicitud por triplicado indicando tales errores y pidiendo que autorice el reconocimiento previo de los bultos que necesiten este requisito.

El Gobernador, hara dejar copia de ella, certificada por su secretario, en un libro que para el efecto se llevará en la Gobernación y decretará al pié de dicha solicitud que se proceda al reconocimiento de las mercaderías, ordenando que un ejemplar se remita al Ministerio de Hacienda, otro al Administrador de Aduana y que el tercero se devuelva al solicitante, a más tardar al dia siguiente de su presentación.

El Administrador hará reconocer los bultos respectivos en presencia suya, del Interventor y de un Vista que designará para cada caso, y firmará con estos el reconocimiento por triplicado. Uno de los ejemplares quedará en poder del Interventor otro lo enviará el Administrador al Ministerio de Hacienda y el tercero se entregará al importador para que lo acompañe a su pedido, que debe ser igual reconocimiento, pedido que el Administrador ordenará sea despachado por otro Vista Si del reconocimiento resultare que no hubo tal error en la factura consular, o que las declaraciones o pesos estuvieren conformes a lo declarado en ella, se cobrará al interesado un recargo de 10% sobre los derechos del bulto o bultos que motivaron la tramitación anterior.

Para el reconocimiento expresado en este artículo la aduana cobrará: 5 centavos por cada bulto del mismo contenido, cuando estos sean de tal naturaleza que no fuere necesario abrirlos para saber su contenido o cuando el peso total de una partida se puede verificar pesando una parte de ellos; 20 centavos por cada bulto, cuando siendo del mismo contenido, sea preciso reconocer y pesar cada uno, un sucre por bulto, cuando sean de diverso contenido.

ART. 72.—Cuando un comerciante no pudiese manifestar por menor sus mercaderías, por falta de factura o conocimiento del contenido de los bultos, podra pedir al Administrador, dentro del termino de 120 días, contados desde la llegada del buque, que el interventor y un Vista formen la factura mediante el pago de cinco a cien sucres; remuneración que señalará el Administrador según la importancia del trabajo. El Administrador hará despachar los bultos así facturados con un Vista distinto del que formó la factura, la que no destruye la factura consular. Si al llegar esta se encontrare diferencia entre lo que contenian los bultos y lo declarado en la factuar consular, se cobrará un 25% de recargo y para el efecto, la solicitud debe ser garantizada.

ART. 108.—En los artículos formados de diversas mercaderías, se practicara el aforo por la dominante. Se entiendo por materia dominante, la que entrando en más de cincuenta por ciento en los componentes de un artículo, determina su naturaleza, o la que, en las telas cubre su superficie.

ART. 110.—Si los pesos resultaren en la Aduana distintos a los declarados en el pedido se cobrará 50% de recargo sobre los derechos correspondientes, cuando el exceso del peso fuere de 15% o más que el declarado; pero si el exceso fuere menor, o el peso inferior al declarado, se cobrará por lo que resulte.

ART. 113.—Todo bulto manifestado por mayor y no entregado a la Aduana por el buque hasta treinta días despues de su llegada, será aforado de conformidad con la factura consular; y sus derechos servicios e impuestos cobrados por la Aduana al Agente o consignatario del buque.

Todo bulto entregado por el buque con su contenido robado parcial o totalmente, será aforado como de contenido pleno y los derechos, servicios e impuestos de lo correspondiente a la falta serán cobrados por la Aduana al Agente o consignatario del buque.

Servicio Consular Ecuatoriano

Via COLON PANAMA

Fecha 20 DE MAYC DE 1919

Vapor ADVANCE

Nacionalidad AMERICANA

Lugar del embarque NUEVA YORK CIUDAD

Lugar del destino GUAYAQUIL ECUADOR

Remitente THE GEO L SQUIER MFG COMPANY NUEVA YORK CIUDAD

Consignatorio SR B VIGNOLO GUAYAQUIL ECUADOR

Valor en dolares $ 493.25

Valor en sucres 986.50

Las facturas deberán ser presentadas á más tardar hasta 6 horas antes de la salida del vapor ó buque, según anuncio oficial de la compañia, de lo contrario tendrán el recargo del derecho adicional correspondiente.

Las facturas deben ser pagadas y retiradas al siguiente día después de haber sido entregadas en la sección, Exportación del Consulado y hasta dos horas antes de la hora oficial anunciada para la salida del buque.

No se permite escribir entre lineas.

Ni hacer enmendaturas ni borrones.

Declaración del remitente

I swear by my word of honor and legally that the contents, weights and values of the present invoice are really the correct ones, exactly as stated.

THE GEO L SQUIER MFG COMPANY
CALDWELL & CO AGENTES
POR:- Oscar Lavayen

NOTA.—Todos los claros de estos formularios deben ser llenados por los interesados, quienes pueden dirigirse al Cónsul para cualquier duda.

LEY DE ADUANA

DERECHOS CONSULARES

Toda importación en el territorio de la República del Ecuador requiere, para su despacho en las aduanas nacionales, la presentación de una factura consular que exprese: *a*) los nombres del remitente, del consignatario, de la embaracación y su capitán, la bandera del barco y el lugar de destinación; *b*) el valor total de las mercaderías comprendidas en la factura; *c*) las marcas, números y número del bulto; *d*) las clases de los mismos; por ejemplo; fardos, cajas, barriles, etc.; *e*) el peso bruto y neto, en kilos, de cada bulto separadamente ó de varios bultos juntos, siempre que contengan la misma mercadería; *f*) su contenido, precisando la clase de mercaderías, sin usar terminos generales, tales como lanas, algodones, ferreterías, etc. Las facturas consulares deben estar redactadas en español y firmadas por sus remitentes ó representantes en el puerto de embarque.

Tanto las facturas consulares como los sobordos y las listas de encomiendas serán extendidos en cinco ejemplares iguales, todos los cuales serán presentados para la certificación consular, antes de que la embarcación á que se refieren hubiera salido del puerto, debiendo el Cónsul devolver un original, firmando de su puño y letra al embarcador y armador, respectivamente.

Los cónsules ecuatorianos cobrarán los siguientes derechos:

Por certificación de facturas consulares hasta el valor de cien sucres, un quinto de cóndor, sea dos sucres ó su equivalente.

Por certificación de facturas cuyo valor exceda de cien sucres, tres por ciento sobre el valor declarado.

Por certificación de sobordos, cuarenta por ciento sobre el valor total de las recaudaciones por facturas.

Por certificación de listas de encomiendas, veinticinco centavos de sucre por cada encomienda.

Por certificación de declaraciones referentes á factura consular, sobordos, listas de encomiendas, etc., un cóndor, ó sean diez sucres.

Por certificación de patentes de sanidad, un cóndor, ó sean diez sucres.

Cuando las facturas, sobordos, listas de encomiendas fueren presentados después de haber salido la embarcación á que se refieren, se cobrará por su legalización, además de los derechos ya expresados, los siguientes derechos adicionales; por facturas, uno por ciento más; sobordos, diez por ciento más; por listas de encomiendas, diez centavos de sucre más por cada una.

NOTA.—Un cóndor vale diez sucres, ó sea $5.00. El sucre (S/.) está dividido en cien centavos. Equivalencia del sucre: $0.50 oro.

shipments to Latin America has been the subject of considerable criticism of late. This problem has received much consideration at all the international conferences of American states, and resolutions have been passed recommending the adoption of a uniform consular invoice, the abolition of certificates of origin, consular certification of bills of lading, and the reduction of the consular fees as far as possible to amounts necessary to cover the cost of maintaining the consular service. These reforms still remain to be adopted.

There is justification, however, in the requirement of the presentation of consular invoices in connection with the clearance of shipments to various countries on the ground that it facilitates the compilation of commercial statistics, prevents undervaluation and fraudulent entries, and supplies the funds to maintain the consular service.

With the exception of three countries in Latin America—Argentine, Costa Rica and Uruguay—the rest require presentation of consular invoices for the clearance of shipments. Failure to comply with this requirement will provoke a heavy penalty in certain countries. In other countries importers are allowed to clear their shipments without the consular documents, but are obliged to furnish a bond for their subsequent presentation. It is important, therefore, for the shipper to forward the consular documents by the same steamer in which the goods are being sent to protect the consignee against fines or delays.

Contents of Consular Invoice

While there are some differences in consular invoices to foreign countries the following information is generally required from the shipper: Name of shipper, vessel, captain, consignee, and port of destination; mark, number, and weight of each package, character of packing employed, number of packages, contents value.

Description of the contents must be in detail. It must be absolutely accurate. Information must be given in connection with the component material, and, in case of fabrics, detailed

information is usually required as to length, width, finish, and thread count. A separate consular invoice is required for each consignment, and in most cases for each mark, even when constituting part of a consignment.

The language of the country of destination should be used wherever possible although in some countries invoices in English are permissible. Consignees who do not understand English, however, may be compelled to have translations made, which is quite an expense in itself.

How Consular Fees Are Determined

Consular fees involved in the certification of invoices are determined by the value of the shipment, excepting in a few cases. They range from $1 per set of invoices, regardless of the value of the shipment, to 6 per cent of the invoice value on some shipments. Some countries require certification of bills of lading, in others no fee is charged for this service.

Special Regulations in Certain Countries

In some countries like Colombia and Venezuela "to order" shipments are prohibited. In the case of Venezuela, for instance, "to order" shipments are subject to a surtax of 25 per cent of the duty, in addition to the penalty imposed on the master of the vessel carrying the shipments. This regulation prevents foreign exporters from financing their shipments to those countries by the method of "draft attached to documents which is customary in business transactions with other countries. Shipments to these countries where "to order" documents" are prohibited must be consigned direct to the consignees who may obtain possession of the goods without the formality of accepting the drafts. The only way to give a bank control over goods in these countries, to be paid for on arrival, is to name the bank the consignee, and at the same time instruct it to turn over the goods to the importer upon the payment of the draft.

American manufacturers and exporters should not take anything for granted in the matter of making out consular invoices and preparing them to meet the requirements of foreign countries. They should ask for instructions from their foreign customers who are presumed to know the changing regulations of their own country better than the stranger, and what is more important, the American manufacturers and exporters should religiously follow them. This should keep them out of trouble.

Other Documents in Foreign Shipments

The tariff laws of certain countries involve two columns of duties. In one of these columns is contained a general duty and in the other, which is called "the most favored nation column," is the duty applying to products of nations with whom special treaties exist. A Certificate of Origin is necessary in order to take advantage of the lower rates involved in "the most favored nation" column. This certificate of origin must certify that the goods are the product of one of the exporting nations involved in the treaty, and it must accompany the goods to port of destination.

"No Dumping" certificates are required in certain British colonies such as Australia, New Zealand, South Africa and Canada. These certificates are aimed to prevent the dumping of goods in these colonies at a price lower than the cost of production. The shippers must certify that the invoice prices are the customary prices obtainable in the country of their origin.

Where there is a difference in the prices or discounts at home from the export figures two sets of figures are required, one in a column called "home consumption" and the other called "export" prices.

The following summary statement is given showing in tabular form the most important requirements relating to consular documents.

CONSULAR DOCUMENTS NECESSARY IN SHIPMENTS TO FOREIGN COUNTRIES.

THESE REQUIREMENTS ARE SUBJECT TO FREQUENT CHANGE.

Country	Number of Copies	Cost per Set	Language Required	Consul's Fee	Remarks
Argentina	3	5 cents	English	$2 per set Bill of lading	Three copies of steamship bill of lading must be certified. Three certificates of origin must be attached to bill of lading.
Bolivia	4-5	75-90 cents	Spanish	$3 for value under $200. Over $200 two per cent. ad valorem.	Four copies necessary for shipments via Chile, Argentina or Brazil; five copies via Peru.
Brazil	4	5 cents	Portuguese or English	Per set invoices $2.20.	No consular invoice required for shipments less than $48.88 in value.
Chile	4	25 cents	Spanish or English	Graduated according to value from about 1 per cent. ad valorem.	Certification bill of lading extra 75 cents.
Colombia	5	10 cents	Spanish	1 per cent. or 3 per cent. ad valorem according to merchandise.	
Cuba	4-5	10 cents	Spanish or English	About 1 per cent. ad valorem plus $1 certification of bill of lading.	Five invoices required for Havana; four for other ports.
Ecuador	7	20 cents	Spanish	3 per cent. ad valorem.	
France[1]	1	2 cents	French	Consular invoice $2.50. Certificate of origin $2.20	Certificate of origin or Consular invoice necessary according to character of certain merchandise.
Guatemala	6	25 cents	Spanish	2 per cent. ad valorem.	Extra for certification of set of bill of lading, $1.
Haiti	4	6 cents	French or English	$1.	Bill of lading must also be certified. No charge.

[1]French consular regulations apply to most French colonies.

CONSULAR DOCUMENTS NECESSARY IN SHIPMENTS TO FOREIGN COUNTRIES.

THESE REQUIREMENTS ARE SUBJECT TO FREQUENT CHANGE. (Continued)

Country	Number of Copies	Cost per Set	Language Required	Consul's Fee	Remarks
Honduras	4	30 cents	Spanish	$1 for values up to $25, graduated upwards to $10 for invoices of $500 to $1,000.	Usually commercial invoice must also be certified. No charge.
Japan	1	50 cents per dozen	English	$2.	Certificate of origin only, for limited number of commodities only.
Liberia	3		English	From 25 cents for values less than $25 up to $3.75 for invoices from $500 up.	
Mexico	4	10 cents	Spanish or English	3 per cent. ad valorem minimum charge 50 cts.	
Nicaragua	6	15 cents	Spanish	Collected from consignee at destination.	Certificate of origin required for certain goods.
Panama	7	30 cents	Spanish	9-10 of 1 per cent. ad valorem. Minimum $1.	Extra charge $3 for certifying bill of lading to be paid by consignee.
Paraguay	2	5 cents	Spanish	$2 for certification of bill of lading.	Certificate of origin only necessary.
Peru	4	30 cents	Spanish	2 per cent. ad valorem.	Bill of lading must also be certified. No charge.
Portugal	3	15 cents	Portuguese or English	From $2.20 to $2.50.	Consular invoice only required for shipments by direct steamer.
Salvador	4	20 cents	Spanish	From $1 upward, according to value.	Extra for certification of bill of lading, $1.
Santo Domingo	4	12 cents	Spanish	Charges collected of consignee.	
Spain	2	10 cents	Spanish or English	40 cents.	Certificate of origin only for certain articles.

CONSULAR DOCUMENTS NECESSARY IN SHIPMENTS TO FOREIGN COUNTRIES.
THESE REQUIREMENTS ARE SUBJECT TO FREQUENT CHANGE. (Continued)

Country	Number of Copies	Cost per Set	Language Required	Consul's Fee	Remarks
Turkey	1	20 cents	French	$2.	Certificate of origin only but not always required.
Uruguay			Spanish	$1.05 for certification of bill of lading.	Certification of certificate of origin, 53 cents.
Venezuela	4	35 cents	Spanish	From $3.75 for invoices of $100 or less and thence upward.	

No special documents are required for countries not mentioned.

CHAPTER XVI

THE FOREIGN FREIGHT FORWARDER

FOREIGN FREIGHT FORWARDER MUST BE WELL INFORMED—FORWARDER SHOULD HAVE HIS OWN WAREHOUSES—HOW FOREIGN FREIGHT FORWARDER OPERATES—METHODS DIFFER ON THE ATLANTIC SIDE—LARGE CONCERNS USE FREIGHT FORWARDERS—WHAT FORWARDER CHARGES FOR HIS SERVICES—ADVANTAGES OF FREIGHT FORWARDERS—CRITICISM AGAINST FORWARDING BUSINESS.

The Foreign Freight Forwarder is a handy man.

Without him hundreds of manufacturers would be forced to attend to their own shipments at the port of loading, but with him the work of loading merchandise on ships and supervising its proper movement at the port is made easy. Without him manufacturers at inland points would of necessity have to appoint agents at the seaports to handle the routine of placing goods on board the ships.

W. J. Riley, Export manager of the Judson Freight Forwarding Co., of New York City says this about Foreign Freight Forwarders:

"A freight forwarder is one who is able to handle in every detail any kind of a shipment from any point in this country to any point in any other country, which can be reached by any form of recognized transportation.

"A forwarder is in business because the requirements of business have created him. His services are sought for the same reason which impels a man to hire a plumber when he has a leaky faucet, or to employ a doctor when he is sick. The point is that the forwarder is a specialist in his line, just as truly as any tradesman or professional man is a specialist in his vocation.

"He must know, or be able to find out very quickly, what articles our government will permit to be imported. If there are any restrictions, he must know the character and extent of such limitations and how to overcome them.

Foreign Freight Forwarder Must be Well Informed.

"He must know all about permits, licenses and declarations which are required and how to obtain them. He must have a thorough knowledge of all banking requirements and collection facilities in this country and other countries; he must be able to quote instantly approximate figures and quickly to quote actual figures of cost to handle a shipment of any commodity from point of origin to final destination, including all of the elements which form a part of that cost.

"He must know all about the various kinds of insurance covering Marine, War, Theft, Pilferage, Loss and Damage, and be able to quote cost of average against these risks.

"He must know the customs regulations at home and abroad, as well as the most favorable trade routes at different seasons and under varying conditions, in order that the promptest, most economical and most satisfactory service may be secured not only for the consignor in this country, but for the consignee in a foreign country.

"In short, a Forwarding Agent must know everything in connection with transporting a shipment which the shipper does not know, and which he cannot learn without incurring a greater expense than the cost of the forwarder's services.

"Having stated what a forwarder must know, it follows that he must be able to translate his knowledge into service. Otherwise, his service which is all that he has to sell, would be useless as the wisdom of an astronomer in toting a hod of bricks.

"He must make prompt, complete and courteous replies to all inquiries, and must anticipate the shipper's needs and provide him with shipping instruction blanks to be filled out to meet all possible emergencies.

Forwarder Should Have His Own Warehouses.

"He should be able to immediately place insurance with any insurance company named by the shipper or to arrange for such insurance under a blanket policy which every up-to-date forwarder provides for immediate use. He must maintain

his own warehouse or have warehouse connections to take care of goods at assembling points and at ports of exit pending shipment. He must make all arrangements to comply with custom house and consular requirements.

"The Forwarder must secure and book steamship space for each individual shipment; and in many cases, he must contract such space in advance for the protection of, and in anticipation of, the needs of his patrons.

"He must maintain offices manned by experts who are capable of attending to every detail in connection with clearing shipments from port of exit. In many cases, this involves the work of locating cars in railroad yards and shipments in freight houses and warehouses, and in seeing that they are moved at the proper time to the docks, and cleared on the steamer for which booked.

"He must not only maintain offices in United States ports of exit, but he must have agents or representatives in the principal ports and cities of all foreign countries.

"He must have banking credit and facilities for discounting drafts when required and for making collections at foreign destinations.

"In order to take care of the prepayments of rail and ocean charges which are demanded by railroads and steamship companies pending reimbursements on the part of the shipper, the Forwarding Agent must have a considerable amount of invested capital."

How Foreign Freight Forwarder Operates

The actual operation of a Foreign Freight Forwarder through the various ports of the United States is described by Mr. Riley. He says:

"As the methods of handling shipments via the Pacific differ somewhat from the methods via the Atlantic and Gulf ports, it may be well to describe these conditions briefly and separately.

"Consignments to Australia or the Orient are, with few exceptions, handled on thru bills of lading, covering rail and ocean movement from point of origin to final destination.

"To enoy the proportional rail export rate and other bene-

fits of these thru bills of lading, it is necessary that every consignment shall be contracted for and booked in advance with a steamship line.

"A rail permit must be obtained and the shipment must then be made within the limits prescribed by railroad regulations, namely, from twenty-five to thirty days from Chicago territory, and from thirty to thirty-five days from eastern territories prior to the scheduled sailing of the steamer on which the shipment is booked. The permit number must be shown on the initial line of the bill of lading.

"These thru export bills of lading are not, as might naturally be expected, made by the railroads, but are made up by the forwarder at his own expense. The railroad company furnishes the blanks; the forwarder fills them out in every detail including shipping permit numbers, order numbers, descriptive markings, and every item and condition necessary to make a complete document. On nearly all Trans-Pacific shipments, it is necessary for the forwarder to make up from twenty to twenty-five copies of each lading. The shipper usually requires two or three originals and several non-negotiable copies for his own use; the other copies are required by the railroad and steamship companies and also for the use of the forwarding agents at port of exit and for custom house purposes, etc.

"As soon as possible after the shipment moves from point of origin copies of the bill of lading and full instructions as to steamship bookings are mailed to the agent of the forwarding company at port of exit, who then takes care of the custom house requirements, checks up the shipments to see that they are brought down to the docks and placed on the boat. The forwarder's agent at port of exit then advises the home office of particulars of clearances, which are, in turn, communicated to the shipper.

Methods Differ on
The Atlantic Side

"As is generally known, railroad companies do not issue thru bills of lading covering export shipments via Atlantic Coast ports. The rail movements and the ocean movements are handled separately. On less than carload lots, it is not absolutely necessary to make advance steamship bookings although it is desirable to have these bookings made whenever this is practicable. These LCL shipments must, of course, be warehoused between the time of arrival at New York and departure of steamer.

"Carload lots require the issuance in advance of a G. O. C. permit, which permit is not issued until after a firm booking has been made with steamship company and evidence submitted that this has been done. This permit specifies the dates within which the shipment must be made. Notice of arrival of cars is furnished to the forwarder's agent at the port, who arranges for prompt transfer to the loading dock.

"The steamship companies furnish blank bills of lading to the forwarder, who makes up, at his own expense, all necessary copies to comply with the requirements of the shipper, the banks, the steamship companies, customs house, etc. This entails issuance of from fifteen to twenty copies of each steamship bill of lading. The forwarder's agent at port of exit sees that all the papers controlling or concerning the shipment are mailed on the boat which carries the freight or on some fast mail steamer which will reach the consignee as early or earlier than the goods will arrive at destination.

"The forwarder's agent at the port advises the home office of clearances, which are in turn communicated to the shippers.

Gulf Port Shipments
Same as Atlantic

"Shipments via Gulf ports are handled practically in the same way as via the Atlantic. It might be stated at this point that the question of having railroads issue thru bills of lading from point of origin to destination via Atlantic and Gulf ports is now having serious consideration. The consensus of opinion is that arrangements for such thru bills of lading will be made in the near future."

Large Concerns Use
Freight Forwarders.

Larger concerns that have their own export organizations are accustomed to employ the services of the Foreign Freight

Forwarder, declares Mr. Riley. "The reason for this," says Mr. Riley "is that the forwarder's connections and dealings are so wide and cover so many different fields of operation, bringing him into contact with cargo or so-called tramp steamships as well as with all of the regularly established lines, that he can frequently offer facilities to the big industrial companies which their own organizations do not cover.

"The forwarder, thru his agents and correspondents in foreign countries, is able to obtain particulars of manufactured articles and materials for which there is a market in foreign countries. These opportunities are submitted to the forwarder's customers, who are thus enabled to increase their business and frequently are placed in a position to open up an entirely new field of trade. Many merchants and manufacturers of this country have received their first foreign orders thru the information originally furnished by the forwarders, and these orders were subsequently retained by the services of the forwarder."

What Forwarder Charges For His Services

Every Foreign Freight Forwarder has his own price. Rate cards vary.

While rate cards show charges for packages of various weights to all the principal ports of the world it must be remembered that these charges are generally subject to change. Circumstances often govern the size of the bill from the Foreign Freight Forwarder.

In figuring up his charges the Foreign Freight Forwarder takes these points into consideration:

(a) The port of destination.

(b) The volume of other shipments going to the same port.

(c) Volume and character of the individual shipment.

The Foreign Freight Forwarder depends on the prices he can obtain for the shipment of goods on a combination shipment which otherwise would be subject to a steamship company's minimum charges.

Here is the way the plan works out:

Twenty different manufacturers having goods to ship for

the same destination abroad are clients of the Foreign Forwarding Agent. Each one of these manufacturers has a shipment weighing half a ton each. The ocean freight rate at the point of destination is $50 per ton and the steamship company has a minimum charge of $50. Therefore, if any one of these manufacturers undertook to ship his half ton of merchandise alone the freight would cost him $50. In order to reduce the cost, however, these manufacturers have arranged with the Foreign Freight Forwarder to ship all their goods on one bill of lading so that the combined shipment would weight ten tons and command a $50 rate or a cost to each manufacturer of $25 per ton. The Foreign Freight Forwarder then may charge each manufacturer about $35, and even with this added charge each manufacturer effects a saving of $15 on freight.

The Freight Forwarder's principal source of revenue comes from these freight charges although he makes minor charges for bills of lading, and other things such as cartage, insurance, etc.

Advantages of Freight Forwarders

Aside from being almost indispensable to inland shippers in the preparation of combinations of small shipments Foreign Freight Forwarders will perform the service of sending goods forward "freight collect" when steamship companies require payment in advance. The Forwarding Agent pays the freight charges in advance and instructs his correspondent abroad to make the collection from the consignees. Foreign Freight Forwarders will also send goods C. O. D. with instructions to their correspondents to make collections.

Foreign Freight Forwarders sometimes advertise the fact that they discount manufacturers' drafts on foreign customers. Operations of this sort are confined solely to a few large concerns that have a sufficient amount of capital to undertake such banking functions. As a matter of fact Foreign Freight Forwarders in offering to discount manufacturers foreign drafts merely discount them with some foreign exchange banker and then charge the manufacturer a small amount for their trouble. Most assuredly, they first obtain a full report

Forwarder, declares Mr. Riley. "The reason for this," says Mr. Riley "is that the forwarder's connections and dealings are so wide and cover so many different fields of operation, bringing him into contact with cargo or so-called tramp steamships as well as with all of the regularly established lines, that he can frequently offer facilities to the big industrial companies which their own organizations do not cover.

"The forwarder, thru his agents and correspondents in foreign countries, is able to obtain particulars of manufactured articles and materials for which there is a market in foreign countries. These opportunities are submitted to the forwarder's customers, who are thus enabled to increase their business and frequently are placed in a position to open up an entirely new field of trade. Many merchants and manufacturers of this country have received their first foreign orders thru the information originally furnished by the forwarders, and these orders were subsequently retained by the services of the forwarder."

What Forwarder Charges For His Services

Every Foreign Freight Forwarder has his own price. Rate cards vary.

While rate cards show charges for packages of various weights to all the principal ports of the world it must be remembered that these charges are generally subject to change. Circumstances often govern the size of the bill from the Foreign Freight Forwarder.

In figuring up his charges the Foreign Freight Forwarder takes these points into consideration:

(a) The port of destination.

(b) The volume of other shipments going to the same port.

(c) Volume and character of the individual shipment.

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of the manufacturer's financial standing before offering to discount his paper. Foreign Freight Forwarders are not bankers in principle, and unless there is a specific reason manufacturers and exporters should have their drafts handled through institutions whose chief functions are to handle operations of this character.

The extent of service offered by Foreign Freight Forwarders varies a great deal. Some forwarders despatch shipments to all parts of the world while others have only a limited field. Some excel in the service rendered in certain sections of the world than in others. The domination of a certain territory by a Foreign Freight Forwarder often results in favorable quotations on freight.

The wise manufacturer who wishes to have his goods shipped to a foreign country through a Foreign Freight Forwarder will ask for quotations from a number of them. In this way he can obtain the best terms, and possibly a distinct service to suit his particular needs. There are plenty of Foreign Freight Forwarders to be found in the principal American seaports. The idea is to seek the competent one.

Criticisms Against Forwarding Business

Like any other business there are abuses that creep into the profession of Foreign Freight Forwarding that must be guarded against. The shipper can protect himself against these abuses if he follows the principle that his obligation to the consignee is not ended until the goods have been actually placed in his possession. The shipper should know if his customer is entirely satisfied with the manner in which his goods were sent. This is not often done. For instance when Foreign Freight Forwarders ship goods to a foreign correspondent they send a "Way Bill" at the same time with instructions as to the various packages consigned to his care. These foreign correspondents are ordinarily instructed to either collect their own charges from consignees or to send the bill to the forwarder in this country. The latter method gives the manufacturer or shipper a chance to see what the expenses at the other end were. The former method, however, keeps the shipper in the dark and he knows nothing of the charges made

to the consignee unless he makes an inquiry. Sometimes these charges are exorbitant, and the customer may not like it. This has been the cause of considerable complaint on the part of shippers.

Sometimes, a Foreign Freight Forwarder is very slow in making his shipments to out-of-the-way places. For instance, if a forwarder received a consignment of merchandise to be shipped to some island in the Orient he would wait until he had received other shipments to the same point to make a saving. This often causes considerable delay and frequently comes up in the freight forwarding business; and it is the clever and experienced forwarder who usually can make proper combinations to avoid any possible delay for his client. Manufacturers are entitled to prompt and economical service. The functions of the Foreign Freight Forwarder are to render such service.

CHAPTER XVII

MARINE INSURANCE

HISTORY OF "UNDERWRITERS"—PRINCIPLES OF MARINE INSURANCE—WHAT IS WRITTEN IN MARINE INSURANCE POLICY—EXPLANATION OF CLAUSES IN MARINE INSURANCE POLICY—HOW MARINE INSURANCE IS TO BE TAKEN OUT—GENERAL AND PARTICULAR AVERAGE IN MARINE INSURANCE.

Marine insurance is the oldest insurance in the world.

The early traders who braved the perils of the Mediterranean in the early centuries recognizing the necessity of protecting their investment against the perils of the seas, worked out some form of insurance, the principle of which is still contained in the present marine insurance policy.

Rome knew of marine insurance. Loans were made in those days in security of ship and cargo which was repayable only if the ship returned to port safely. These loans commanded high rates of interest, and were a favorite form of investment among the wealthy Roman speculators.

Modern insurance may be said to have begun in the 13th century in Flanders and Portugal where maritime commerce was at its height in that period. The Lombard merchants, also, adopted marine insurance to protect their ships and cargoes against the perils of the seas in those days. It is believed the Lombards introduced marine insurance into England in the 16th century where it has flourished ever since. It is said that three-fourths of marine insurance is taken out in Great Britain. The business is mostly in the hands of stock and mutual companies as well as associations of underwriters, the oldest and chief of which is Lloyds. The large shipping companies insure their own vessels by keeping a book account as insurance, and charging the losses against a certain percentage of the earnings.

The American colonies were introduced to marine insurance early in the 17th century, although the majority of maritime shipments from the colonies was covered by insurance in London. By the middle of the 19th century most of the business done by American companies was on home risks. It is said that previous to the War over half of the marine insurance, and two-

fifths of the premiums went to American branches of foreign concerns.

History of "Underwriters"

Perhaps, the pioneer insurance company of the world today is the Corporation of Lloyds which does business to this day practically along the same lines as 200 years ago. Lloyds originated from an informal gathering of marine insurance men at a popular coffee house established in London by Edward Lloyd as early as 1692. From these informal meetings grew an association of marine insurance underwriters, and later the Corporation of Lloyds which now consists of over 400 members, was formed.

A risk in Lloyds is usually assumed by a number of individuals. The British shipper who wishes to have his vessel insured gives full particulars of the risk on a memorandum which is passed around to the members of Lloyds for their consideration. Those desiring to assume a portion of the risk place their initials on the slip together with the figures indicating the portion of the total value for which they accept the responsiblity. When the entire risk is covered a formal policy is prepared, and this becomes the actual marine insurance policy. It is then signed by the individuals who accepted shares in the risk. This is called "underwriting." While marine insurance underwriters flourish in England it is to be remembered that they do not control the business of that country. There are hundreds of companies that assume the entire risk just like they do in the United States where the practice of underwriting marine insurance has become obsolete.

Principles of Marine Insurance

When the shipper sends goods by rail from one interior point to the other he need not insure his shipment because the railroad ordinarily assumes the responsibility but when he sends his goods out of the country by water he must then take out marine insurance if he wishes to protect his shipment against loss. Steamship companies are exempt from all forms

of liability excepting loss or damage arising from negligence, improper loading, stowage or delivery of merchandise. All other risks must be assumed by the shipper or the consignee of the goods. In order to cover these risks they must take out marine insurance.

Marine insurance is primarily intended to cover only marine risks. The shipper must show that loss or damage was due to perils encountered on the high seas. Marine insurance policies do not cover loss from other causes such as deterioration of perishable goods, breakage, leakage and robbery, or poor packing. The term perils of the sea does not cover every accident or casualty which may happen to the merchandise on the high seas. It must be a peril of the sea. In 1887 Lord Herschell said: "It is well settled that it is not every loss or damage of which the sea is the immediate cause that is covered by the words, 'perils of the sea.' They do not protect, for example, against that natural and inevitable action which results in what may be described as wear and tear. There must be some casualty, something which could not be foreseen as one of the necessary incidents of the adventure. The purpose of the policy is to secure an indemnity against accidents which **may** happen, not against events which **must** happen."

What is Written in Marine Insurance Policy

Very few persons ever take the trouble to read the contents of a marine insurance policy. Exporters should become thoroughly familiar with it even though many of its clauses have become obsolete. Perhaps they are reluctant to peruse a solid mass of type that is difficult to read and often necessitates a magnifying glass to make it out.

Here are a number of clauses to be found in a marine insurance policy:

"This policy shall not be vitiated by any unintentional error in description of voyage or interest or by deviation of the vessel from the voyage described, provided the same be communicated to assurers as soon as known to the assured, and an additional premium paid if required.

"Beginning the adventure upon the said goods and merchandise, from and immediately following the loading thereof on board of the said vessel, as aforesaid, and so shall continue and endure until the said goods and merchandises shall be safely landed as aforesaid, AND it shall and may be lawful for the said vessel, in her voyage, to proceed and sail to, touch and stay at, any ports or places, if thereunto obliged by stress of weather, or other unavoidable accident, without prejudice to this insurance. The said goods and merchandise, hereby insured, are valued (premium included) at not more than $100,000 by any one vessel.

"Touching the adventures and perils which the said insurance company is contented to bear, and takes upon itself in this voyage, they are of the seas, fires, jettisons, barratry of the master and mariners, unless the assured on cargo be in part owner of the vessel, and all other perils, losses and misfortunes (illicit or contraband trade excepted in all cases) that have or shall come to the hurt, detriment or damage of said goods, and merchandises, or any part thereof.

"And in case of any loss or misfortune, it shall be lawful and necessary to and for the assured, his or their factors, servants and assigns, to sue, labor and travel for, in and about the defence, safeguard and recovery of the said goods and merchandises, or any part thereof, without prejudice to this insurance; nor shall the acts of the assured or insurers, in recovering, saving and preserving the property insured, in case of disaster, be considered a waiver or an acceptance of abandonment; to the charges whereof, the said insurance company will contribute according to the rate and quantity of the sum herein insured; having been paid the consideration for this insurance by the assured, or his or their assigns, at and after the rate of as per endorsement hereof.

"And in case of loss, such loss to be paid in thirty days after the proof of loss, proof of interest, and adjustment exhibited to the insurers (the amount of the Note given for the premium if unpaid, and all sums due to the Company from the assured when such loss becomes due being first deducted, and all sums coming due being first paid or secured to the satisfaction of the insured), but no partial loss or particular average shall in any case be paid, unless amounting to five per cent. Provided always, and it is hereby further agreed, that if the said assured shall have made any other insurance upon the property afore-

said, prior in day of date to this Policy, then the said insurance company shall be answerable only for so much as the amount of such prior insurance may be deficient towards fully covering the property hereby insured.

"And the said insurance company shall return the premium upon so much of the sum by them insured as they shall be by such prior insurance exonerated from. And in case of any insurance upon said property subsequent in day of date to this policy, the said insurance company shall, nevertheless, be answerable for the full extent of the sum by them subscribed hereto without right to claim contribution from such subsequent insurers. And shall accordingly be entitled to retain the premium by them received in the same manner as if no such subsequent insurance had been made. Other insurance upon the property aforesaid, of date the same day as this policy, shall be deemed simultaneous herewith; and the said insurance company shall not be liable for more than a ratable contribution in the proportion of the sum by them insured to the aggregate of such simultaneous insurance.

"It is also agreed, that the subject matter of this insurance be warranted by the assured free from loss or damage arising from a riot, civil commotion, capture, seizure, or detention or from any attempt thereat, or the subsequences thereof, or the direct or remote consequences of any hostilities, arising from the act of any government, people, or persons whatsoever (ordinary piracy excepted), whether on account of any illicit or prohibited trade, or any trade in articles contraband of war, or the violation of any port regulation, or otherwise. Also free from loss or damage resulting from measures or operations incident to war, whether before or after the declaration thereof.

"In the event of risk of war being assumed by endorsement under this policy, the assured warrant not to abandon in case of capture, seizure or detention, until after the condemnation of the property insured; nor until 90 days after notice of said condemnation is given to this company. Also warranted not to abandon in case of blockade, and free from any expense in consequence of detention or blockade; but in the event of blockade, to be at liberty to proceed to an open port and there end the voyage.

"Memorandum. It is also agreed, that bar, bundle, rod,

hoop and sheet iron, wire of all kinds, tin plates, steel, madder, sumac, brooms, wicker-ware and willow (manufactured or otherwise), straw goods, salt, grain of all kinds, rice, tobacco, Indian meal, fruits (whether preserved or otherwise), cheese, dry fish, hay, vegetables and roots, paper, rags, hempen yarn, bags, cotton bagging, and other articles used for bags or bagging, pleasure carriages, household furniture, skins and hides, musical instruments, looking glasses, and all other articles that are perishable in their own nature, are warranted by the assured free from average, unless general; hemp, tobacco stems, matting and cassia, except in boxes, free from average under 20 per cent., unless general; and sugar, flax, flaxseed and bread, are warranted by the assured free from average under seven per cent., unless general; and coffee, in bags or bulk, pepper, in bags or bulk, free from average under ten per cent., unless general. Profits warranted free from claim for general average, but subject to the same per centum of partial loss as if the insurance were on goods. In case a total loss of profits be claimed, the underwriters to be entitled to a credit of the same per centum of salvage as if the insurance were on goods, and in case of contribution in general average for any portion of the goods at the customary sound value, this company to be free from claims for loss of such portion. Not liable for loss arising from wet, breakage, leakage, or exposure of goods shipped on deck.

"Warranted by the assured free from damage or injury from dampness, change of flavor, or being spotted, discolored, musty or moldy, unless caused by actual contact of sea water with the articles damaged, occasioned by sea perils. In case of partial loss by sea damage to dry goods, cutlery, or other hardware, the loss shall be ascertained by a separation and sale of the portion only of the contents of the packages so damaged, and not otherwise; and the same practice shall obtain as to all other merchandise as far as practicable. Not liable for leakage on molasses or other liquids, unless occasioned by stranding or collision with another vessel.

"Warranted by the assured that this insurance shall not enure directly or indirectly to the benefit of the carrier or other bailee, by stipulation in bill of lading or otherwise, and any breach of this warranty, and any act or agreement by the assured, prior or subsequent hereto, whereby any carrier, or

party liable for or on account of loss of or damage to any property insured hereunder, is given the benefit of any insurance affected thereon, shall render this policy of insurance null and void.

"In case of any agreement by the assured, prior or subsequent hereto, whereby any right of recovery of the assured for loss or damage to any property insured hereunder, against any person or corporation, is released, impaired or lost, which would on acceptance of abandonment or payment of a loss by this company, have inured to its benefit, but for such agreement or act, this company shall not be bound to pay any loss, but its right to retain or recover the premium shall not be affected.

"Warranted by the assured, that the assignment of this policy or of any insurable interest therein, as also that the subrogation of any right thereunder to any party, without the consent of this company shall render the insurance affected by such assignment or subrogation, void."

The foregoing clauses are found in Marine Insurance policies for occasional shipments only. Details of a given shipment are usually written in these policies. Regular shippers, however, insure under "open policies," meaning that they cover all shipments for a stated period or to a specified value, against which each individual shipment is "declared" as it is made, and Certificate issued.

Explanation of Clauses In Marine Insurance Policy

"Beginning the adventure upon such goods and merchandise from the loading thereof aboard said ship" found in the ordinary marine insurance policy is usually amended to read "including risks of craft to and from the ship or vessel, each craft to be considered a separate risk." This amendment is necessary in order that the plain policy may apply before the goods are actually placed on board the vessel. There is great risk in loading vessels from lighters or barges, and this makes the amendment necessary for full protection under the insurance policy.

"Thefts" refer to thefts by violence only. Petty thievery or pilfering by crews or stevedores are not included under

"thefts." The former must be covered by a special contract but an increased premium is required in such cases. An importer cannot make a claim against losses by petty thievery or pilfering by crews or stevedores unless he is covered by contract and has paid the extra premium. The matter of seeking this protection rests with the importer. He is the better judge whether he can run the risk of losses from these sources or pay the extra premium. When a merchant falls victim to the wiles of expert pilferers he naturally makes a claim against the carrier. He is promptly met with a denial of responsibility on the ground that the bill of lading merely calls for the delivery of so many packages "said to contain" merchandise, and that the carrier has no evidence to prove that the packages contained the goods stolen from them. Unless his insurance policy includes a clause providing for protection against such losses even the insurance company will turn him down.

"Jettison" means the throwing overboard of a part of a cargo or part of the equipment of a ship.

"Barratry of the master and mariners" means the wrongful and wilful act committed by the master or crew to the prejudice of the owner or charterer of the ship. Mutiny on board ship is barratry. Barratry is not as common nowadays as it used to be.

A "warranty" means that the assured undertakes the obligation of doing or not doing a particular thing, or that some condition shall be fulfilled, or whereby he affirms or negatives the existence of a particular state of facts.

The "memorandum" is included in marine insurance policies in order to secure a minimum limit to the underwriter's liability for damage to perishable articles.

Special Risks May be Covered by Contract

A marine insurance policy does not cover all risks. A contract must be written in these policies whenever a special risk is required to be covered. For instance, cargo carried on deck commands usually a double rate for insurance than if it were carried under deck. When a premium for such risk is paid

the clause "Including the risk of jettison and washing overboard" is written into the insurance policy.

Protection against war risks requires a separate insurance policy in each case. These special policies are necessary, of course, only during war times. Little use was made of them during the Spanish-American war but when the European war broke out their use became imperative.

Some of the clauses in a certificate of insurance against war risks only, are these:

"This insurance covers only the risk of capture, seizure or destruction or damage by men-of-war, by letters of mart, by takings at sea, arrests, restraints, detainments and acts of kings, princes, and people authorized by and in prosecution of hostilities between belligerent nations; but excluding claims for delay, deterioration and or loss of market and warranted not to abandon in case of capture, seizure or detention, until after condemnation of the property insured, nor until sixty days after notice of said condemnation is given to this company. Also warranted not to abandon in case of blockade, and free from any claim for loss or expense in consequence of blockade, or of any attempt to evade blockade, but, in event of blockade, to be at liberty to proceed to an open port and there end the voyage.

"Warranted covering while waterborne only and excluding any risk on land.

"Warranted no German, Austrian or Turkish ownership, interest, consignee or destination; and warranted free of condemnation on the ground of such ownership, interest, consignee, or destination.

"On shipments to neutral countries in Europe it is warranted that the bills of lading shall show the name and address of the neutral consignee."

It is to be noted that higher premiums are demanded when merchandise is shipped in steamers owned by belligerents than those owned by neutrals. During the European war British, French, Russian, Italian or Japanese steamers were subject to a high war risk insurance owing to the activity of German submarines. There was no war risk insurance to be had on German, Austrian or Turkish steamers because they were driven completely from the high seas soon after the war started.

"Warranted covering while water borne only and excluding any risks on land" on a war risk insurance policy means that war risk will be assumed while the property is actually on the water.

Government Bureau of War Risk Insurance

By Act of Congress in August, 1914, there was established a Bureau of War Risk Insurance in the United States Treasury Department which was empowered to issue only insurance against risks of war. Congress appropriated $5,000,000 for the operations of the Bureau. Within a year, however, the Bureau showed a large profit. The law under which the War Risk Insurance operated provided that protection should be confined strictly to vessels and cargoes owned by American interests, and the following clause was inserted in all cargo policies: "Warranted that the title to the property insured remains continuously in citizens of the United States during the term of this policy."

Kinds of Protection Now Obtainable

The shipper who wishes to pay the premium may receive almost any sort of protection nowadays from the marine insurance companies. All that is required is the inserting of a special clause covering the particular risk to be covered subject, of course, to the approval of the underwriters. These clauses generally known as riders, are affixed to the regular policies. Shippers can be covered by these clauses against damage to goods while en route from inland point through to inland point of foreign country by rail, steamer, etc. They can be protected against fire, theft, leakage, breakage, earthquakes, or tidal waves.

How Marine Insurance Is to Be Taken Out

Shippers should always demand instructions from their

customers as to the kinds of insurance protection desired as the latter must pay the bill in the end. It is up to the customer, therefore, to explain what he wants in the way of insurance and what he is willing to pay for it. In quoting c.i.f., however, manufacturers should always be careful that they accurately describe the kind of insurance proposed and included in the c.i.f. prices. When goods are shipped through Foreign Freight Forwarders it is usually the custom to instruct how and for much to insure. Export commission houses attend to their own insurance without waiting for instructions. It is the manufacturer who does his own shipping, however, who must be careful that this important matter is attended to and never overlooked.

The safest thing to do is to see that the insurance company covers all risks from the moment the goods leave the factory until they actually reach the foreign customer. Sometimes, there are delays in clearing the goods at the custom house in a foreign country. It is a wise thing to allow a margin of about 20 or 30 days so as to have full protection up until the time they actually reach the consignee. The matter of insuring for land risks as well as sea risks should be taken up with the customer, however. He may not desire to pay the higher premium unless he knows what it is actually about. When he is convinced of the virtue of such a policy he will readily agree to pay.

How Insurance Brokers Operate

There are Marine Insurance brokers to be found in all the principal ports of the United States. Export commission houses and large manufacturers usually employ the services of insurance brokers because they are in constant touch with conditions in the marine insurance business which gives them an advantage of being able to obtain not only lower rates but additional features of protection.

Insurance brokers derive their income from commissions awarded to them by the insurance companies. These commissions range anywhere from 2½ per cent to 5 per cent. Brokers are in very close touch with all marine insurance companies. They understand their policies and their practices thoroughly.

General and Particular Average in Marine Insurance

Partial losses sustained in the shipment of merchandise by sea are known by the name of average. According to Benjamin Rush, President of the American Foreign Insurance Association, particular average is the damage resulting to the subject matter one has insured, such as the bale of goods being damaged by water, or the mast being carried away in a storm. "General Average," says this same authority, "requires the act of man. It is the oldest law of commerce in existence. It came into existence in the Island of Rhodes, over 2,000 years ago. This is the way it came up: In those days ships were very small, propelled by one sail or oars, and the merchant accompanied his goods. Frequently a storm would come up, and the only way to save the lives of those on board was to jettison some of their merchandise, and every merchant would say: 'You throw overboard my friend's goods and leave mine here.' This involved disputes, of course, and many valuable lots of merchandise were sunk and many men drowned because of those occurrences. Finally they came to the conclusion that if one man's goods were thrown overboard they would all chip in and pay their proportionate share. In other words, that which was sacrificed by one would be paid by the contributions of all. It has got to be the voluntary sacrifice by the act of man to avert a threatened peril at sea, and it has got to be successful at least in part. When it occurs everybody chips in his proportionate share of the loss, the man who lost his particular merchandise chipping in his contribution also. Every man gives alike. Then if your merchant is insured he goes to his underwriter and says: 'I have suffered a general average loss of two or five or ten per cent on my goods; pay up. And on practically every policy, unless it is written free of all average, you get whatever proportion it is insured for."

This definition means that an exporter who loses his goods by general average must also pay his share of the loss as well. This liability for a contribution to general average is

justified by the common law. If the shipper has not protected the goods he is shipping by a marine policy that covers general average he is the loser. The shipper or the rightful owner of the goods will be notified in due course that he is subject to assessment to meet general average costs. If a marine insurance policy protects him he has only to notify his underwriter and the latter will take care of this matter.

The "York-Antwerp" rules framed in a conference of shipowners, merchants, and underwriters many years ago in the cities of York and Antwerp serve as the basis for determining what general average losses really are. Bills of lading usually contain a provision providing that general average adjustments shall be made under these rules. In the absence of this provision, however, the laws of the country to which the ship is bound govern these adjustments.

General average contributions are justified when voluntary sacrifices of property or expenditures are made for general safety. They must be reasonably made. The cutting of masts spars, sails or rigging for common safety in a storm is admitted under general average as well as the throwing overboard of merchandise for safety. Cargo damaged by water used to extinguish a fire on board is protected under general average.

Particular average practically means partial damage. The British law has this to say about particular average: "Where the whole or any part of the goods or merchandise insured has been delivered damaged at its destination, the measure of indemnity is such proportion of the sum fixed by the policy as the difference between the gross sound and damaged values at the place of arrival bears to the gross sound value."

The proceeds realized from the sale of damaged goods represents the damaged value of goods.

The market value of the goods had they arrived at port of destination sound, as taken on the day of sale of the damaged goods represents the sound value of the goods.

The difference between these two values represents the depreciation of loss and this rate of depreciation is applied to the insured value of the damaged goods.

A close study of the marine insurance policy will show that the clause called the "memorandum" exempts insurers from

a certain percentage of loss. It is provided in this clause that certain goods are free from particular average unless the damage amounts to a certain specified percentage. These percentages vary in a great number of marine insurance policies.

Insurance With Particular Average.

When goods are susceptible of being damaged through rough handling or by contact with water, insurance with particular average is taken out. Insurance with particular average is generally taken out in the shipment of textiles or other materials likely to be damaged. In instances where goods are usually considered free from particular average from their very nature, and in the absence of specific instructions the shipper covers them F.P.A. the consignee should always give full instructions as to covering his shipments. Unless he does this misunderstandings are likely to arise. In the memorandum of the insurance policy quoted in this chapter it is seen that a long list of articles are named as being free of particular average. Some of these articles, however, such as hardware would be damaged if wet by sea water. Unless the importer is protected with particular average he would have to bear the entire loss.

Open Marine Insurance Policies

Large shippers do not like to be bothered by taking out regular marine insurance policies whenever they have shipments to make. A short-cut in this routine is effected by taking out Open Policies. These Open Policies cover risks up to a certain amount of money, provide for all contingencies against which protection is desired such as theft, breakage, fire risks, etc., and at a fixed premium. These Open Policies are good only for a certain length of time or until their values have been entirely exhausted. When the shipper prepares to send merchandise overseas he notifies the insurance company, covers for a certain value, gives the name of the steamer, and the date of departure. The open policy is endorsed and a certificate of insurance is sent to the shipper. The terms of

the original are not written on the certificate of insurance although it has the full force of the regular marine insurance policy.

Declaring Values
Under Marine Insurance

Under a marine insurance policy no proof of value is required. Under fire insurance the actual value of the goods destroyed must be proven. If a person insures his store for $10,000 under a fire insurance policy, and it is destroyed by fire, an adjuster will endeavor to place the damage at a figure below the insured value. In marine insurance, however, if a shipper insures for $50,000 and the ship is lost, he will get $50,000. This is the difference between marine and fire insurance. The insured value is the indemnity value in case of total loss. In case of partial loss under a marine insurance policy a comparison of the damaged value and the sound value with the insured value determines the amount of loss.

A value greater than the actual value of the goods is generally declared for marine insurance. This is done in order to cover incidentals such as freight, cartage, etc. As a matter of fact a shipper can declare almost any value under a marine insurance policy as long as he is willing to pay the higher premium.

Cost of Premiums Vary
For Marine Insurance

The nature of the goods to be insured, the character of the ship transporting them and the port of destination determine the premium. Policies covering merchandise shipped to Europe during normal times do not command as high a rate as policies covering merchandise shipped to South American ports. The flag flying on the mast of a ship does not change the rates.

In connection with marine insurance rates Mr. Benjamin Rush who has already been quoted in this chapter says this:

"I am aware that the idea of the general public regarding the way insurance rates are made is that a few insurance company officials, who are absolutely devoid of conscience,

get together once in so often, and agree to charge just as high rates as they think they can get out of a patient and long-suffering public.

"If it were possible to get up a monopoly on such a perfectly liquid subject as insurance, possibly this might be done, but, as a matter of fact, it is not possible, and consequently the conception which I have just stated is entirely erroneous.

"It must always be remembered that there are two ends to every transaction of international commerce—one, let us say in the the United States, and one, say in some foreign country.

"If, therefore, an underwriter in the United States fixes his insurance rates too high, the merchant instructs his consignee, or the shipper, as the case may be, to place his insurance in some foreign company and country.

"There are literally hundreds of marine insurance companies, and members of Lloyds in every maritime country in the globe, and since the dawn of Marine Insurance I have never heard of anybody being skillful enough to combine them into what is principally known as the Trust; therefore, anybody who knows how to write, and has the price of a three cent stamp, can avail himself of the competition of the whole insurance world upon his own individual business.

"Furthermore, the laws of the various states of the United States are so drawn that it is possible for citizens with a small amount of capital, say from $100,000 to $200,000 to organize an insurance company and obtain a state charter.

"Therefore, just as soon as the margin of profit on marine insurance operations rises above a fixed minimum marine insurance companies are organized to compete with those previously established.

New companies
Enter field

"A very good example of the latter is to be found in the last three years when the large amount of business resulting from war conditions and the profits made on war insurance induced a number of American fire insurance companies, which had not hitherto written marine insurance, to enter the marine field, and which also induced a number of foreign

companies not hitherto operating in America to establish agencies in the United States.

"Also, many new insurance companies were chartered and established both in the United States and abroad.

"I think it is safe to say that the marine insurance capacity of the United States market has been doubled by this means since 1914. There is at present, I believe, ample insurance capacity to take care of American marine insurance requirements, and it is to be hoped certainly from the merchants' and shipowners' point of view that this large capacity will be maintained and increased, because it is a guarantee against rates for marine insurance being unduly high.

"As a matter of fact, over a series of years, taking good years with bad they are not high.

"I should say from my own experience that in a period of from 20 to 30 years any company which could show an average profit year in and year out, of say five per cent of its business turn over, which five per cent would also include the interest on its invested funds, would be doing remarkably well.

"Now as regards the apportionment to hazard between man and man, every marine insurance company keeps what is known as a classification system, the purpose of which is to show on what branches of its business it is taking or losing money.

"This classification is divided into several hundred subdivisions or book accounts, so that the profit or loss in any given branch of the business can be followed up promptly, and necessary rate adjustments made. If, for instance, a classification showed that on trade with England, the insurance company was losing money, and that on trade with Brazil it was making money, the insurance company would be put on notice to increase its rates to England, and if its profits to Brazil were unduly high some competitor, who also kept a classification, would not be very long in forcing it to reduce rates to that country or lose its business.

"Also an account is usually kept of the premiums received from, and the losses paid to, each ship owner or merchant.

"Degrees of business abilities of different firms differ considerably. It is a usual occurrence to find merchants in the same trade operating with varying degrees of profit to themselves and to their underwriters. This is also taken into consideration in the making of rates.

"A cargo on any given vessel on any voyage may well consist of several hundred different kinds of merchandise, each subject to various susceptibilities of damage, and it is the business of the insurance underwriter to see that his insurance rate is adjusted accurately to those hazards for each particular kind of cargo shipped, for every voyage, and by every kind of conveyance, and to all the various hazards which are generally lumped under the head of marine perils and which are changing continually.

"As an illustration of the amount of bookkeeping necessary to enable a marine underwriter to correctly adjust his rate to hazard incurred, I would like to say that some years ago the company of which I am president employed a firm of expert accountants to go over our accounting and classification system with the idea of introducing improvements, and they reported that they had just finished performing a similar service for the United States Steel Corporation, and they were considerably surprised to find that in order to achieve the results desired it was necessary for us to have a considerably larger amount of bookkeeping than did the United States Steel Corporation, although our turnover at the time was, say, $10,000,000, and the steel corporation's turnover very many hundreds of millions.

"Unless the underwriter adjusts these rates accurately to these changes and conditions, one of two things happens. If he fixes his rate too high, a competitor comes along and takes his business. If he fixes it to low he loses money, and if he keeps on long enough, he will have to retire from business.

"With a marine underwriter, therefore, it is a matter of literal business life to see that his rates are on the whole correctly gauged to the hazard run.

"If he fails to do so, he is very speedily eliminated from the field of competitive insurance, but even if he succeeds in doing all that I have outlined hitherto, in order to turn in a satisfactory balance sheet at the end of the year, he has got to be a good deal more than a mere keeper and observer of accounts.

"The way the marine underwriter makes his money is by taking the business which has been operating at a loss, find-

ing out the cause of that loss, and eliminating it. By doing this he can for possibly a year or two, until his competitor finds out his method, obtain a fair share of profit upon a given trade.

"I can cite as an instance in point, the insurance of the live animals between this country and Europe, where by the initiative of private underwriters a saving of some six cents on every dollar of value on such exports was secured to American shippers and producers of cattle. The saving to the consumer, in the course of years ran into hundreds of millions of dollars, and a business which had been insured at a loss at a rate of seven per cent, ultimately was insured at a profit, at a rate of one quarter per cent.

"Another illustration which occurs to me, was the insurance of merchandise to Australia, where there had been a very bad run of fires on shipboard for several years, which fires were ultimately traced to the shipment of some oil clothing that had caused spontaneous combustion.

"Argus, himself, with his hundred eyes, is no more alert than is a marine underwriter to the adoption of every expedient which may result in saving of loss by avoidable perils, and thereby obtaining a profit on his transaction, and in the long run a reduction in the cost of insurance to the consumer."

How Marine Insurance Claims Are Collected

The shipper usually collects all claims due on the marine insurance policy for the consignee although the matter of collection is up to the latter. The shipper does this merely out of courtesy. He assumes no responsibility in the matter; he merely acts as agent for the consignee.

When claims are made against marine insurance companies having agents in foreign countries the matter of collecting insurance money is charged with little difficulty. Shippers and consignees should always take pains that they cover themselves with insurance policies of companies having agencies in the countries involved. Such connections make it easy to collect their just claims.

In cases where the goods are damaged it is difficult to place

the responsibility for such damage. Who must pay, the shipowner or the marine insurance company? If the damage to merchandise is caused by the shifting of the cargo the shipowner would be held responsible unless the captain of the vessel immediately upon arrival at port files a Protest in which he declares that the vessel experienced unusual rough weather during the voyage which might have caused the shifting of the cargo. This Protest is duly attested to before the consul of his country at the port of destination. When such Protest has been filed claim for damages is laid before the insurance people who are then held responsible. Payment is immediately made unless they dispute the captain's claim.

The following steps are necessary in collecting insurance:

Underwriters should be immediately informed of the arrival of the damaged goods so that they may appoint an expert to examine the goods.

The expert will then make his recommendations which are usually that the goods be sold at auction.

Evidence in the form of a bill of lading is required to show that the goods were actually shipped.

Title to the insurance which is conveyed by the Certificate of Insurance must be produced.

A formal sworn statement of the amount of damages sustained which may be had from the local authorized representative of the underwriters' should be obtained. If it is impossible to obtain this statement the official statement of the custom house authorities certified by the consul of the country from which the goods were shipped is sufficient.

A sworn statement indicating how the damage was caused is necessary. The sworn statement from the examiners is usually sufficient but where this will not be allowed it may be necessary to obtain a certified copy of the captain's sworn Protest which should give full particulars. Without these particulars it will be difficult to convince the insurance company of the justice of the claim.

A copy of the commercial invoice is necessary.

The foregoing documents once in the hands of the consignee should serve to make the collection on the insurance easy.[1]

[1] The collection of claims from marine underwriters in which frequent delay is experienced, is in most instances due to the lack of necessary documents and other information. In such proceedings the shipowner, the charterer, the exporter and the importer, each has a duty to perform, and unless that duty is properly

discharged the marine underwriter is naturally delayed in arranging the payment of a claim. With a view to facilitating this work, the Frank B. Hall & Company have issued a small booklet which points out that before a claim can be collected from the insurance companies, or underwriters, it is necessary to show that a peril insured against has come to the "hurt, detriment or damage" of the ship or the interest insured, and that it amounts to the required percentags. This is usually done by documents known as the protest (generally an extended protest), the reports of survey and the receipted repair bills or vouchers.

As soon as possible after the arrival of a vessel at a port of refuge or of destination (and within twenty-four hours after arrival) the captain (or master) of the vessel must note his protest before a notary public or consular officer briefly stating what has happened. If it then appears that the loss or damage is sufficient to warrant the making of a claim upon underwriters, the protest must be extended to include a narrative of the voyage, detailing the causes of the loss or damage. Whenever possible, the master should be sent to the office of the adjusters to have them extend the protest. The log books for the voyage during which the loss or damage has occurred should be delivered to the adjusters. The note of protest is not a sworn document and is signed by the master only. An extended protest is signed and sworn to by the master, one or more deck officers, one or more engineer officers and one or more members of the crew.

Immediately upon arrival of a damaged vessel at a port of distress, or of destination, the master must notify his owners by cable and the owners in turn must immediately notify the adjusters, who will notify the various underwriters interested. The owners or their agents may appoint a surveyor to represent owners' interests, or their own superintendent, if they have one, may act. A survey will be arranged by the adjusters with the underwriters. If possible, all the surveyors should agree upon the causes and extent of the damage and should sign a joint survey report. Any surveyor differing from the others should decline to sign the joint survey.

After the damage has been repaired, the surveyors should make further reports stating that repairs have been completed to their satisfaction and that the vessel is in a seaworthy condition and fit for the carriage of dry and perishable cargoes or of such cargoes as in their judgment she is fit to carry. If the vessel be temporarily repaired, the reports of surveyors must show this and their recommendations for final repairs. Confusion should not be made between the reports of classification surveys and damage surveys. If no marine surveyors are available, the master and engineers of other vessels in the port may be called upon, but masters must communicate with their owners immediately in every case and bear in mind that they must not assume responsibility unless absolutely necessary or their owners instruct them to do so. Owners should always confer with and obtain the assistance of the adjusters.

All repair and other bills relating in any way to the loss or damage, should be forwarded at once to the owners and by them to the adjusters. The adjusters will examine them and after consultation with owners, master, surveyors, etc., determine which may be for owner's account.

Bills should be receipted or receipts attached before they are forwarded to the adjusters. Owners should furnish to the adjusters particulars of the credit, if any, to be allowed for old material and should also advise if any of the repair work was done on overtime. Where this latter is the case, underwriters may be charged with the overtime bonus only to the extent to which they have benefited thereby as by the saving of drydock dues. Where the repairs have involved the drydocking of the vessel owners should advise the adjusters when the vessel was last previously on drydock, and when she would have been due for docking in the ordinary course. Where the survey reports call for the painting of the vessel's bottom, the adjusters should be given the date when the vessel would next have been due for painting in the ordinary course. If the repairs made at a foreign port are partly temporary and partly permanent, or if they are partly for owner's account and partly for underwriters' account, or if they are partly on account of particular average damage, that is accidental damage, and partly on account of general average sacrifices, the surveyors at the time of their approving the repair bills should be requested to indicate on these bills how the various items should, in their opinion, be dealt with.

Where a vessel having sustained loss or damage in the nature of general average arrives at a foreign port, the agent of the vessel or master must see that no cargo is delivered to the consignees until a general average bond or agreement has been signed and a guarantee given by acceptable underwriters or their agents, for the payment of all general average, salvage and (or) special charges, or until a deposit sufficient to cover what they will amount to has been collected from the consignees. The adjusters should always be consulted, and if possible attend to these matters themselves.

Where the cargo is necessarily discharged in the general interest, care should be taken to note any damage which may be sustained in consequence of this forced discharge. While the cargo is out of the vessel it should be specially covered by insurance. General average disbursements incurred at a port of refuge should be covered by insurance from the port of refuge to the port of destination.

Adjusters should be provided with a copy of the charter party, bill of lading, manifest, general average bonds and guarantees and all disbursement vouchers. Where the general average has consisted in putting into a port of refuge, the adjusters should be provided with a list of the master, officers and crew, together with the monthly wages paid to each. A detailed statement of the fuel and engine stores consumed in bearing away for and while at the port of refuge should also be provided. Where the vessel's engines have been worked in order to float her, particulars of the coal and engine stores consumed in working the engines should be provided.

Where freight is insured against total loss only and under a P. P. I. policy claims are handled in the same way as claims on disbursements mentioned above. Where freight is insured with average conditions, it is necessary to support the claim with a copy of the charter party and, or, bill of lading, together with a statement showing the actual amount of freight collected and the amount which has been lost. The cause of the loss should be clearly brought out in the master's protest.

CHAPTER XVIII

HOW ORDERS ARE FINANCED

AMERICAN EXPORTERS HAVE ALWAYS ENJOYED GOOD BANKING FACILITIES—METHODS OF FINANCING SHIPMENTS FOR EXPORT—SELLING GOODS ON OPEN CREDIT BASIS—HOW COMMERCIAL CREDITS ARE OPENED—ACCEPTANCE CREDITS—BILL OF EXCHANGE, OR DRAFTS.

The matter of financing foreign trade is becoming less difficult.

American banking institutions under pressure of the necessity of meeting the demands of American manufacturers and exporters are establishing branches in the principal trading centers of the world where they may be able to render service in the matter of financing the vast amount of business that is now done between buyer in a foreign country and seller in the United States. American exporters are fast learning how to use the machinery that will bring back to them the proceeds from the sale of merchandise to a customer whom they have never seen and who is doing business thousands of miles away from the source of supply.

Perhaps one of the strongest barriers that prevents the average American business man from engaging in business with merchants in foreign countries is fear—fear that he may not be able to get his money for goods shipped. There is an uncertainty about it all, he reasons, and yet if he knew the familiar paths followed in this seemingly difficult function, and the ease with which he could transact business whether his customer happened to be in India or Australia or South America the barrier of fear and prejudice would soon disappear.

American Exporters Have Always Enjoyed Banking Facilities

The machinery of financing export trade is old. American

pioneer commission houses and other export firms have been familiar with the function of financing export shipments for many years. Although there were fewer branches of American banks existing in foreign countries in the early days, our pioneer export merchants never found it difficult to sell their goods and obtain their money in due time from their customers. If there were no American branches in certain foreign countries where American exporters did business surely there would be bank branches of British, German, French or Italian origin. Within recent years, however, American banking institutions recognizing the necessity and value of extending their activities to foreign fields in order to cooperate with the growing number of American merchants in the foreign markets of the world, have placed their branches in all the important trade centers of the world, and today there is not an important city in any section of the globe that does not boast of having a branch office of some powerful American banking house. There is no question that this branching and broadening out has served as a powerful stimulant in the development of commerce between this country and other regions of the earth.

Methods of Financing Shipments for Export

"Well, we have got the machinery for handling our export trade," says a merchant. "We have got the ships to carry our merchandise; we have got our customers abroad to buy our goods; how, then, shall we go about it to obtain our money?"

That is the first question that any manufacturer who is branching out for business in the Far East or in South America will ask. "How can I get my money?"

It is the purpose of this chapter to briefly describe these methods so that the details that are necessary to be learned may be clear to those who are ready to engage in export trade.

The financing of exports may be divided into the following divisions:

(a) Open credit.
(b) Draft against importer.
(c) Cash shipment.

Selling Goods on Open Credit Basis

Open credit means a book account. The merchant trusts and the customer is supposed to pay when bills are rendered in accordance with a previous agreement. In domestic trade open credit is common. Trading under this method is done to some extent in foreign trade. American exporters, however, are reluctant to grant open credit which is in general demand the world over. Open credits make collections uncertain; risks are increased. Foreign customers in many instances do not show the inclination to meet their obligations at the stated time under the open credit basis. Distance lends them an air of indifference, and they are less susceptible to the demands of their creditors than they would be if within easy reach. The enforcement of prompt payment is not an easy task when the buyer and seller are separated by thousands of miles, and when cable tolls are high and the mails are very slow.

Open credits may be successful, however, where the American manufacturer or exporter has a branch establishment in the foreign country in which he is operating. It is less difficult for the resident representative to keep in close touch with his customers, and to make his collections at stated intervals, and to enforce payments by lawful means when customers are rather slow in remitting. As a matter of fact, open credits are uniformly successful only under such conditions, or when there is a special agent of the seller on the ground to see that moneys due are paid within the prescribed period.

Cash Terms in Export Trade

The general rule followed when a new customer applies for merchandise and terms in the United States is cash in New York or at any other American port. There is nothing strange about this rule. It is even followed in the domestic business where it is quite difficult for a new customer to buy merchandise on credit from a firm unless he can produce a satisfactory commercial rating. There is no reason why this rule should

be done away with in doing business with a customer in a foreign country. Contrary to opinion this rule is not peculiarly American. The British, Germans, French and other foreign trading nations demand cash in advance of shipment from customers with whom they have not done business before and those who are unable to produce adequate financial references. A manufacturer or exporter cannot extend credit to a person he does not know, and an importer should not ask for it until he has established himself in the confidence of those from whom he wishes to make his purchases.

There are cases, however, where importers have very conscientiously sent their cash in advance as payment for shipments they expected within a reasonable time. Unfortunately, they have been compelled to wait months and months for their merchandise, due to the negligence of some manufacturer or exporter in this country. It is no wonder, therefore, that occasional criticisms are made against the practice of compelling cash in advance of shipment from importers. On other occasions it has been noted that goods have been received at destination in a damaged condition as the result of improper packing. In other instances, substitutions have been made, and the injury has been deep. The importer sends his money in advance, and he expects the things he has ordered. Cash in advance is demanded, however, only in cases where the foreign importer is practically unknown to the American exporter or where he fails to submit proper financial credentials. The bulk of our foreign trade is done on a credit basis, and the machinery for these credit operations is so simple that any one having the proper commercial rating and reputation may use it.

A foreign importer who submits to the terms imposed upon him by an American exporter may be able to make his cash payment in the following manner:

(a) He may send his remittance direct to the exporter.

(b) He may send his remittance through the bank in the exporter's country, against the delivery of the necessary documents.

(c) He may send his remittance through a local bank in his own territory, against the delivery of the necessary documents.

The latter two methods of financing export shipments may

be effected under a banker's credit of which there are many forms. Presently, we shall show how the latest of all methods—the acceptance credit—may be used by importers in foreign countries for the purchase of their merchandise in the United States. In the meantime the opening of a commercial credit must have the reader's attention.

How Commercial Credit May Be Opened by Importer

A manufacturer upon receiving an order from a foreign customer with whom he has never done business before may suggest to him that his policy is to obtain cash for his goods before they leave the country, but that arrangements can easily be made for the establishment of a commercial credit with a reliable American banking institution so that the payment of merchandise may be obtained upon the presentation of the proper papers by the shipper. This plan safeguards the importer who knows that his money is in good keeping, as well as the manufacturer who knows that he may obtain his cash the minute he presents his draft and necessary documents to complete the transaction. A commercial credit of this kind is advisable only when large sums of money are involved.

The importer who desires to open a commercial credit in this country may go to his own local banker and make arrangement for the establishment of this credit with his correspondent in the United States. Commercial credits are either confirmed or unconfirmed. The local banker will instruct its correspondent in the United States to pay certain moneys to certain persons in the United States under certain conditions. If the importer happens to be an old, reliable customer of the local banker he need not put up any money for this service immediately, but he may make payments only as the local banker requires. The local banker, of course, charges interest and a small commission for services rendered.

If the local banker opens a confirmed credit for his client in the United States it means that it cannot be cancelled during its life unless with the consent of all the parties thereto; the applicant for the credit, his banker, the issuing bank and the beneficiary.

An unconfirmed credit is subject to revocation at any time by any of the interested parties, and on this account is not as acceptable to beneficiary as is the confirmed or irrevocable credit, particularly where merchandise is in process of manufacture. The rate of commission charged by a bank on a confirmed credit is slightly higher than that charged on an unconfirmed credit.

A confirmed or irrevocable credit reads something like this:

Guaranty Trust Company of New York.

New York, October 15th, '9——.

To The American Export Association,
140 Broadway, New York City.

Dear Sir:—

In accordance with cable instructions received from Banco Mercantil Americano del Peru, Lima, Peru, we open an irrevocable credit in your favor for account of The South American Import Company, Lima, Peru.

Amount $100,000 (One Hundred Thousand .....Dollars) covering shipment of General merchandise from New York to Callao, Peru.

Drafts under this letter of credit are to be drawn at sight on us and are to be accompanied by a set of Shipping Documents of a character which must meet with our approval, consisting of:

Shipper's invoices

Consular invoices if such documents are required in connection with this shipment.

Marine and War Risk insurance policies.

Full set of ocean steamer Bills of Lading made out to order and endorsed in blank, or to the order of the Banco Mercantil Americano del Peru.

This letter of credit is valid only upon there having been issued an appropriate Export License, covering the transaction.

It must be understood that payments under this Credit will only be made provided the goods are actually on board or loading on the Vessel named in the B. of L.

If Government regulations restrict the issue of order Bills of Lading, please communicate with us and we will advise you in the premises.

Marine insurance should cover from Warehouse to Ware-

house, and not less than ten days after arrival, and also include deviation clause, craft and lighter clause, negligence and or latent defect clause. Policies reading **Free of Particular Average** completely, must not be tendered without prior arrangement with us.

This letter of Credit is issued subject to all regulations and enactments of the United States Government and its Allies and to any proclamations of the President governing export shipments.

The document should be presented **whenever possible** in time to be forwarded on the steamer carrying the merchandise.

This Letter of Credit expires June 30, 1920.

If you are unable to comply with the terms as indicated above, please communicate with us promptly, and oblige,

Yours respectfully,

Guaranty Trust Company of New York.

The confirmed credit differs from the unconfirmed or revocable export credit in that, as an irrevocable credit, it cannot be cancelled prior to the date specified in the credit without the consent of the four parties thereto.

Commercial
Letters of Credit

When the shipper presents the necessary papers to the bank and complies with all the conditions under a commercial credit he receives his cash immediately. This kind of transaction is generally called a cash credit and opposed to it is the time credit which is drawn for a longer period and is covered by a commercial letter of credit. The commercial letter of credit authorizes an exporter or manufacturer to draw a draft under certain conditions against an importer for merchandise he has sold. The letter may be addressed direct to the shippers or to the bank. When addressed to the shippers it reads something like this:

"You are authorized to draw upon The International Bank in (name of city) under the following conditions."

When the letter of credit is addressed to the bank it simply authorizes it in writing to accept the drafts of the shipper under certain conditions. If the letter of credit is confirmed to the shipper by the banker then the shipper has no further

responsibility in the matter. No recourse can be had on him even if the importer fails. The banker alone is responsible now, and he is fully secured by the bill of lading and other papers made out to his order and which he sends to the foreign local bank with the draft for collection under terms that the local bank has arranged with the customer. The customer pays the local bank which remits the money to the American institution in time to meet the draft at maturity.

The agreement between the bank and the person for whom the letter of credit is drawn virtually provides that the latter's drafts will be duly honored upon presentation and under the conditions upon which the credit was given. There is a time limit to these letters, usually; also provision is made that all drafts against the credit be accompanied by the customary documents such as the bill of lading, insurance certificates, invoices, etc.

Bank Connections
Determine Form of Credit

The form of the credit is usually determined by the character of the banking connections of the importer. The rates of exchange between one country and another may also determine its form. The importer need not always open up a credit through his local bank. He may open credit directly in the exporter's market if his financial standing is satisfactory, thereby dispensing with the local bank and the necessity of paying an extra commission.

The operation of these commercial credits when made available in this country is described in a "Handbook of Finance and Trade with South America" issued by the National City Bank of New York as follows:

"Our branch or correspondent in foreign country through which credit is established, informs us of the opening of Credit, and we in turn inform the beneficiary that credit has been established by foreign firm in his favor, and also the amount and the conditions under which we will make payments or accept drafts drawn thereunder.

"Many large purchases are effected through this medium, through credits of this nature being arranged not only by South American firms in favor of firms in the United States,

but also by American firms in favor of South American and European houses.

"In cases where the foreign merchant does not open a commercial credit to cover his merchandise purchases in this country, payment is usually effected through the medium of draft which is forwarded for collection, either with or without shipping and other documents, to our foreign branches or correspondent banks."

How Revolving Credit May Be Effected

Reference to a Revolving Credit is also made in the handbook. It says:

"Where the operations between two parties in different countries are to be more or less continuous, a convenient and economical form of credit, known as a revolving credit, may be established.

"Under this form of credit, once the conditions are agreed upon they may be made permanent for future credits by simply embodying the conditions under which the amounts may again become available. Through the medium of a credit of this nature, as the amounts drawn thereunder are liquidated they again become available under the conditions of the original credit without the necessity of further cabling or correspondence.

"Revolving credits may be divided into three forms. To illustrate:

"A in foreign country opens a credit in favor of B in this country up to say $20,000, the conditions of which permit B to draw, as shipments are made, upon bank through which credit is made available, the said bank honoring such drafts when accompanied by documents covering a specific shipment. Upon liquidation by A of the amount or amounts drawn by B, the amount or amounts so liquidated again become available to be drawn against by B under the original conditions. Should the total amount of the credit become exhausted, no further drawings thereunder may be made by B until liquidation by A of all or a portion of the drafts drawn by B. This explains the revolving feature of this credit, inasmuch as the full credit, or such portions thereof as have been liquidated by A, again become automatically available to be drawn against by B.

"The second class of credit under this revolving form permits B upon A's instructions to the bank, to draw a specified sum in one draft. Upon maturity and payment of this draft by A, the same amount again become available to be drawn against by B upon the same conditions which governed the original drawing.

"Under the third class of revolving credit, A in a foreign country permits B in this country to draw in one draft for the full amount involved, whereupon the credit again becomes automatically available for a similar amount and so on indefinitely until the expiration of the time limit specified in the original instructions.

"This last form of credit is limited as to time, but as to the amounts drawn thereunder it is only limited as the unit in which the drafts may be drawn, no limit being set as to the maximum amount which may be drawn thereunder.

"It is also possible to limit drawings to a certain amount during specified period, to be drawn in one or in various drafts, the original amount again becoming available at the expiration of each of such periods.

"The revolving credit is very elastic in its application and may be made to serve any reasonable requirements along the lines suggested in the illustrations. Furthermore, it should be noted that the commission charged by the bank is calculated not upon the full amount for which the credit is originally opened, but upon the amount or amounts as availed of thereunder."

Opening of Commercial Credit Illustrated

The National City Bank's Handbook of Finance and Trade with South America, presents a very concise illustration of a complete transaction involved in the opening up of a commercial credit. The bank traces the transaction from the opening of the credit to the payment to be made under its terms. It is as follows:

"A merchant in Argentina, we will say, has ordered a quantity of machinery from a Chicago house. As the Chicago house

is not familiar with the credit standing of the Buenos Aires firm, let us suppose that the information in our credit files and available to our clients, is not, in this instance, of a nature to warrant the extension of time. The Chicago house thereupon cables the Argentine merchant that order will be entered if a confirmed commercial credit is opened in their favor through The National City Bank.

"A confirmed credit is required in this instance, because the machinery may be of special manufacture, and the Chicago house, before commencing work upon it, wishes to be secured against a possible revocation of the order when perhaps the machinery is half completed.

"The Buenos Aires merchant, acquiescing in the demand of the Chicago house, arranges with the Buenos Aires branch of the National City Bank of New York for the opening of, say, a $20,000 confirmed credit, to be availed of through the head office of the Bank in New York.

"The Chicago house is made the beneficiary under this credit, which is practically an order on the New York office of the bank, either by cable or letter to pay to the Chicago house the amount stipulated, generally upon delivery to the bank of a full set of shipping documents covering the shipment. If the credit were an 'acceptance credit,' the New York office of the bank would 'accept' the draft of the Chicago house for, say thirty, sixty, or ninety days, as may have been agreed upon. Upon receipt at New York of either the cable or letter opening the credit, the Bank at New York immediately notifies the beneficiary (the Chicago house in this instance) that such credit has been opened and the conditions upon which payments thereunder will be made. It will be noted upon reference to the definition of a 'confirmed credit' that this kind of credit can be revoked only with the consent of the four parties concerned, viz., the Buenos Aires merchant, the Buenos Aires branch of the National City Bank of New York, the New York office of the National City Bank of New York, and the beneficiary at Chicago.

Chicago House Prepares to Make Collection

"The machinery having been completed, the Chicago house consigns it on a railroad bill of lading, to its New York agent, or, in the absence of a New York agent, then to some reputable forwarding house at New York, the shipping port, with instructions to secure the ocean bills of lading, Consular Invoice, insurance certificates, and other necessary documents. These documents are thereupon presented to the bank, and if they are in order and meet the requirements of the credit, payment will be made by the bank, usually through the medium of a bank check to the order of the beneficiary. If, however, beneficiary is a depositor of the bank, it is probable that the amount will simply be credited to his account.

"The bills of lading are generally made out 'to order' and are endorsed in blank by shipper, after which they are forwarded to our Buenos Aires branch. 'To order' bills of lading, however, are not permissible to Venezuela and Colombia, to which countries it is necessary to consign documents and merchandise direct to the consignee. More care is therefore necessary in looking into the credit standing of consignees in those countries.

"It will be noted in the transaction we are following that as the bills of lading have been made out 'to order' and endorsed in blank, the bank, having possession of the documents, practically controls the shipment, and the Buenos Aires branch will only surrender these evidences of title, which we will assume have gone along on the same steamer carrying the shipment, upon compliance by the purchaser in Argentina with whatever conditions were agreed upon in the undertaking creating the credit. These conditions may take various forms. If the credit standing of the Argentine merchant is beyond question, it is possible that he has established with our branch a line of credit to cover his commercial credit operations, in which event the documents may be surrendered to him without collateral security being placed with our branch bank.

"Should security be deemed advisable, however, this may take various forms, such as, depositing with the branch acceptable securities (bonds or stocks) until liquidation of the obligation, or perhaps, the depositing of a note bearing the endorsement of a responsible individual or firm. It may have been agreed that such surrender is to be made upon acceptance by the Argentine merchant of a draft to be drawn upon him for an agreed tenor by our Buenos Aires branch. It may

also take the form of a trust receipt to be delivered to the branch by the Argentine merchant, under which title to the merchandise remains in the name of the bank, the proceeds of partial sales to be turned over by merchant to the branch until complete liquidation of the transaction. There is usually more form than substance to a trust receipt, however, as once the merchandise has been placed in the warehouse of the purchaser it is not an easy matter, in fact it is practically impossible in most instances, to have it so earmarked as to keep it safely guarded from other merchandise for identification in the event of default or other impediment arising.

"It is possible that the conditions of the credit, owing to the financial and credit standing of the Argentine merchant, may be broad enough to permit of the documents being forwarded direct to the Argentine merchant by the shipper in the States, in which case such documents should be made out to his order direct.

"In the case of an acceptance credit, the draft drawn upon the bank by the beneficiary (in this instance the merchant in Chicago), will be accepted by the head office of the bank in New York, under the Federal Reserve Act which grants to national banks the privilege of accepting bills of exchange growing out of transactions involving the importation and exportation of goods. This acceptance usually takes the form of a stamp across the face of the draft with the word "accepted' and the date, with the signature of a duly authorized officer of the accepting bank, and will there upon be detached from the other documents for return to the Chicago firm, to be discounted by them immediately, if they prefer, or to be held by them until maturity date thereof.

"In the case of the acceptance credit the conditions at Buenos Aires under which credit was originally opened quite likely specify that payment is to be made some days prior to the actual maturity date of acceptance at New York, through the medium of a draft to be drawn by our Buenos Aires branch upon the Argentine importer. This draft is given an earlier maturity date than the Chicago draft in order to enable the Buenos Aires branch of the bank to cable funds to New York in time for the New York office to meet its acceptance of the draft of the Chicago house.

Difference Between Confirmed Documentary Credit and Acceptance Credit

"One of the points of difference between the ordinary confirmed documentary credit and the acceptance credit is that under the former it is not always necessary for the American shipper to draw drafts, the conditions of the credit usually instructing the bank to pay cash against receipt of documents, the bank taking simply the receipt of the shipper for payments made thereunder. This receipt may consist of the simple endorsement of beneficiary on the bank's check for the amount involved. Under the acceptance credit, however, the instructions from the bank through which the credit was originally opened to the bank through which it is to be made available, would be to accept the draft of the American shipper, under certain specified conditions, such acceptance by bank protecting the maker of draft in the event of the Argentine merchant becoming insolvent before maturity date, the recourse of the New York bank under such a contingency to be had to the foreign bank which originally opened the credit."

Partial Payment in Advance Often Made

The manufacturer or exporter should beware of partial payments in advance. They may find themselves in considerable trouble in attempting to collect the balance. American merchants often find themselves in this predicament in dealing with foreign customers. Before permitting merchandise to leave the country on this basis the shipper should know something about the responsibility of the importer. The fact that he has made a partial payment on the goods does not fully protect the manufacturer. There have been instances where partial payments have been made, the goods shipped, rejected at the other end, and finally sold at auction, the original buyer bidding in an extremely low price for the consignment. Whenever a shipper is willing to permit his merchandise to leave the country on a partial payment basis he should protect himself to the extent of demanding that the initial payment shall cover the entire costs of getting the goods back to the point

of origin in case the customer refuses to accept them at the port of destination.

The Acceptance Credit in Foreign Commerce

The Federal Reserve Act authorizes member banks to accept drafts drawn upon them arising out of commercial transactions involving the importation or exportation of goods having not more than six months to run. The establishment of an open discount market in this country in which bills of exchange may be bought and sold is the natural result of this authority under the Act.

The acceptance system operates something like this:

A foreign buyer wishing to purchase goods in the United States, and requested by the exporter to arrange a bank credit against which he may draw when the shipment is made, may arrange with his local bank for this credit. The local bank in turn gets in touch with its American correspondent and asks it to open a credit in favor of the American exporter and to be drawn against under certain conditions.

The American exporter ships the goods and then goes to the American bank with the bill of lading and other necessary documents with draft attached, and presents the latter to the bank for acceptance. The American bank stamps "accepted" on the face of the draft, returns it to the exporter, and forwards the shipping documents by first mail to its foreign correspondent. The foreign bank may turn these documents over to its client against such security as the bank may deem adequate. The foreign bank furnishes the funds to the American bank to meet the draft whenever it is due.

The American shipper who now has in his possession a bank acceptance may do either of two things with this paper: He may discount it with his own bank, or he may go into the open discount market and obtain his money for it—which will be the ruling rate for member bank acceptances.

The advantages of the acceptance credit are:

The American exporter is able to extend his customer abroad "time" at the lowest cost possible. The exporter knows that he can sell the acceptance from an American bank at the lowest possible rate, and accordingly, adds a small percentage to his selling price in order to cover himself for this nominal discount.

Acceptance credits may be employed in anticipation of actual exports. A merchant having a large order from a foreign customer may, upon making arrangements with his bank, draw a long draft on the latter, and thereby use the funds thus created for the purchase or preparation of the shipment. After the shipment has been made, the draft on the foreign purchaser or the foreign purchaser's bank, together with the shipping documents, are turned over to the bank, for discount or collection, the bank in turn using the proceeds of this draft in liquidation of the original acceptance.

The Draft, or Foreign Bill of Exchange

The foreign bill of exchange or draft, as it is commonly called, is an instrument very well known in foreign trade. It is an unconditional order in writing addressed by one person to another, signed by the person giving it and requiring the person to whom it is addressed to pay on demand or at a fixed or determinable future time a sum in money to, or to the order of a specified person or bearer.

The financing of shipments by draft is briefly explained by the National City Bank's Handbook as follows:

"Now let us consider the shipment from Chicago as one for which a commercial credit had not been opened, the conditions of the order as placed stating that draft is to be drawn by shipper on the Argentine buyer either at sight, or say at sixty, or ninety days sight.

"As in the case of the acceptance or confirmed credit, upon completion of the machinery and its shipment to New York, the forwarding agent in the latter city, acting under instructions from the Chicago shipper, will have secured the necessary documents. Draft, made payable to the National City Bank of New York covering the invoice value of the shipment, plus charges to be included, having likewise been forwarded to the New York agent, will be presented by him with the

complete set of documents to the New York office of the National City Bank.

"It is possible that the Chicago merchant has had a line of credit established with this bank for the discount of his foreign drafts, in which event, if draft is discounted, the account of the Chicago house with the bank will now be credited with the proceeds, or, if we are so instructed, with its full face value. This latter, however, is advisable only where an understanding has previously been had between the shipper and foreign client whereby the latter understands that he is to pay the interest and charges involved in this procedure.

Documents Must Accompany Draft

"Whether draft is for collection or discount it will be forwarded with the complete set of documents to our Buenos Aires branch for collection. Upon arrival of the documents at Buenos Aires, our branch there will immediately advise the Buenos Aires merchant. The documents in this case, as in the case of the acceptance credit, are quite probably to 'order' and will be surrendered to foreign client only upon compliance by him with whatever instructions we have received in this respect from the Chicago shipper. If the draft be a sight draft, documents will be surrendered upon payment. If, however, it be a time draft, the custom in South American countries is to surrender documents upon acceptance of the draft by foreign client. In the case of a sight draft, drawn in dollars, the New York funds paid against the surrender of documents will be immediately forwarded to our New York office, where, if draft was not originally discounted for the Chicago firm, the proceeds will be placed to the credit of their account. If, however, draft is a time draft, the accepted draft will be held at our Argentine branch until maturity, at which time, upon payment being effected, remittance will be made to New York by the Buenos Aires branch as in the case of the sight draft."

Drafts Clean or Documentary

Drafts may be clean or they may be documentary. When

documentary they are accompanied by bill of lading, insurance certificates or any other instruments necessary to establish title to the merchandise. When clean they are unaccompanied by any papers except duplicates of original documents. These drafts are usually handled through third parties the bankers almost always being the third parties.

Foreign drafts are always drawn in duplicate, known as the First of Exchange and the Second of Exchange. When one is honored the other becomes void. Drafts are drawn in duplicate as a matter of safety in transmitting them through the mails to foreign countries. If one is lost there is a chance that the second one will reach its destination. It is customary for drafts to be drawn to "the order of ourselves" instead of to some specified payee. This plan permits greater freedom in the negotiability of these instruments. When drafts are sent by shippers to foreign banks for collection, however, they are either made payable to the bankers or endorsed to them. It must be remembered that all drafts payable to the order of the drawer must be endorsed by him before they may be negotiated by anyone else.

Drafts may be drawn at sight or they may be drawn at 30, 60 or 90 days after sight. A sight draft is one payable on sight, or upon presentation to the drawee. This is the usual rule although in different countries varied regulations are encountered as to the proper time to present sight drafts. In some countries it is illegal to present sight drafts for collection until the bankers have in their possession duplicate sight drafts and a complete set of all documents. Some shippers having some consideration for their consignees usually draw sight drafts at from three to fifteen days at sight in order to give their customers ample time to pay them.

Time drafts may be drawn anywhere from seven days to ninety days or more, after sight. Evidence that the bill has been presented to the drawee is obtained by notation of the actual date when the bill is presented. The mere showing of the bill to the consignee is not enough, according to the law.

The American manufacturer has two methods of collecting his money by draft. He may present it to the banker at home who in turn will send it together with the necessary documents to his correspondents abroad with instructions as to

collection, or he may send the draft together with other documents to some reputable banker in the foreign country in which collection is to be made with instructions to the foreign banker to collect.

Drafts may be Sold Immediately to Bankers

A shipper who may not wish to tie up his capital until the return of the money involved in a foreign sale may sell his draft directly to his local banker. This is often done in the case of small manufacturers and exporters who are unable to place their capital in such position. It is a common practice, however, with large manufacturers and exporters who have sufficient funds to enable them to wait for several weeks or possibly months for remittances from abroad.

The purchase and sale of foreign bills of exchange, or drafts, is a function assumed by what are known as international bankers, although the larger American banking institutions at this date have regularly organized foreign departments in which this sort of business is carried on in large volume.

Foreign departments in American banks—particularly in national banks—are comparatively new things. They were practically unknown a few years ago when our foreign trade was not so interesting as it is at the present moment. It was difficult a few years ago to negotiate bills of exchange with banks that did not take this kind of business, and naturally many of these banks lost this kind of business to other institutions that were more thoroughly equipped to handle all kinds of foreign transactions in which the assistance of banks was absolutely necessary. The importance of this branch of banking, however, was soon recognized and now we have all our great financial institutions engaged in foreign banking, and thoroughly competent to assist American manufacturers and exporters in the business of financing their shipments to every corner of the globe.

How Foreign Exchange Banker Operates

The foreign exchange banker thrives on the purchase and

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The foreign exchange banker thrives on the purchase and

The Remington Arms Union Metallic Cartridge Company, Inc.

Exchange for $1200.00/100

New York, U.S.A. APRIL 26th 1917.

NINETY (90) days after sight of this **FIRST** of Exchange (Second unpaid) pay to the Order of

Ourselves

SPECIMEN

TWELVE HUNDRED AND NO/100 U.S. GOLD DOLLARS.

Value received and charge the same to account of

PAYABLE AT BANK'S SELLING RATE FOR CHECK NEW YORK

To C. STEVENSON & COMPANY

SANTIAGO, CHILE.

No 99.

The Remington Arms Union Metallic Cartridge Company, Inc.

A ninety-day draft.

sale of drafts. If the customer's rating is satisfactory there will be no trouble in selling a draft even though he may be unknown to the banker. The latter must look into the customer's financial standing, of course, to protect himself in case the draft returns unhonored from a foreign country. Recourse, it must be remembered, is had on the maker of the draft. Not only must he refund the money obtained from the bank but he must also pay the costs which may have accrued in its attempted collection.

Another factor that determines the banker's decision in the matter of buying a draft is the character of the merchandise shipped under the bill of lading. Articles for which there is a constant demand are safer from the standpoint of realizing on their value than novelties or specialities. Drafts drawn against grain, cotton or sugar are more acceptable to bankers than drafts drawn against automobiles, typewriters or certain kinds of machinery. Grain, cotton or sugar can be readily disposed of at a satisfactory price while there is always a risk in holding automobiles or machinery for sale.

How Foreign Drafts Are Negotiated

The mechanics of negotiating a draft are something like this:

The shipper asks his foreign exchange bankers to quote on his drafts just before the shipment is ready to be sent, and when the value of the invoice is known. In asking for quotations on these drafts the shipper gives full particulars as to terms, the nature of the merchandise, the name of the consignee, and other information that the banker may require If the draft is to be written in foreign money the shipper usually asks the banker for the rate of exchange before writing out the instrument. He does this in order to write the equivalent amount of American dollars in the foreign currency of the country to which he is sending the draft. If the draft is to be drawn in dollars the shipper may desire to know what the bank's charges as to commission, interest, etc., may be so that he can add it to the invoice. The total is then written into the draft.

As has already been mentioned, when the draft is sold the

understanding is that the responsibility for a refund in case the consignee refuses to honor it rests on the shoulders of the maker. Sometimes the bank requires that this understanding be put down in writing but in recent years in view of the tremendous volume of business that is transacted daily by the banks it is a sort of unwritten law that the drawer shall be held responsible for the failure of the bank's correspondents in foreign countries to make their collections.

Bank Must Have Title to Goods

Not only does the bank require that the signature on the draft be entirely satisfactory or that the character of the merchandise be acceptable but title to the goods must be practically turned over to it before a draft may be bought. Title to merchandise is transferred by the delivering to the bank of the following documents:

(a) Draft in duplicate to be drawn to "ourselves," endorsed in blank or with the banker in blank.

(b) A full set of all negotiable copies of the bill of lading signed by the representative of the shipowner drawn to "order" and endorsed in blank.

(c) At least two copies of the invoice and an itemized statement of charges which make up the total amount for which the draft is drawn.

(d) Certificate of marine insurance in duplicate.

(e) Consular invoices when countries require such documents.

(f) Certificate of Origin if shipment is to countries requiring such documents.

Having all these documents in its possession, and feeling in every possible way that it is amply protected to advance the money to the shipper the bank now wants to know how the draft is to be handled or taken care of at the other end.

The following instructions or terms are usual:

(a) Delivery of the bill of lading is to be made if a sight draft is immediately paid. This procedure is commonly known as "cash with documents."

(b) If the draft is drawn for a certain period after sight or date the banker may be instructed to deliver the bill of

CUSTOMER'S DRAFT

Exchange for

January 9th, 1919.

$ 685.65 UNITED STATES CURRENCY

Ninety days after sight of this FIRST of Exchange (Second unpaid) pay to the order of

Ourselves

Six hundred eighty-five and 65/100 Dollars UNITED STATES CURRENCY

Value received and charge the same to account of

drawn under authorization of the Japanese Bank #100

Payable with interest added at the rate of 6% per annum from date of draft until approximate arrival of cover in New York.

To Reizo Matsuoka,

Kobe.

No. A-228

F.C.Supply Co.,

PRO FORMA

Vice President.

FORM 1186

Draft Drawn under Banker's Authority to Negotiate. Should be endorsed by Drawer.

lading to the consignee either against payment immediately, or acceptance of draft. The latter procedure is commonly known as "documents against acceptance."

In some parts of the world importers may be found who desire to take up their drafts before the date of maturity. In instances like this bankers may ask for instructions as to rates of discount or allowance for interest that such procedure may justify. Shippers usually make certain discounts or allowances with importers in advance although in The Far East where this practice is common the local bankers publish regularly, "rates of rebate" for such transactions.

What Banks Charge for Collecting Draft

The bank does not offer the service of making collections of drafts for American shippers for nothing. It must charge a small commission and include in the total bill such charges as postage and revenue stamps. The bank's commission ranges from one-eighth of 1 per cent to 2 per cent. Then there is the interest charge which runs from the time the draft is drawn to the time the proceeds are received by the bank in this country. For instance, if the bank buys a draft on Valparaiso, Chile, at 90 days sight, the interest will run for ninety days plus the time it will take the draft to reach Valparaiso and the time required for the remittance to reach this country. This interest charge, together with commission, and other minor charges, is included in the total of the draft.

Peculiarities of Drafts in Certain Foreign Countries

Custom or local conditions in foreign countries sometimes determine the method by which drafts are to be paid. The Colonial clause known to all exporters doing business with South African and Australian importers is familiar to these merchants. It reads like this: "Payable with Exchange at the current rate in London for negotiating bills on the Colonies." This means that the draft must be paid at the ruling rate of exchange between New York and London and is passed by American bankers to London direct and not to Colonial banks.

Drawees must pay interest, commission and other charges between London and Colonial banks.

Drafts drawn on certain countries of South America are either drawn in dollars, U. S. currency, reading "payable in legal currency at the bank's drawing rate on day of payment for sight bills on New York," or drawn in pounds sterling reading, "Payable in legal currency at the bank's drawing rate on day of payment for ninety days sight bills on London."

When drafts are drawn in dollars all charges such as interest, commissions, etc., should be included on the face value of the draft, although this should not be done until there is a complete understanding with the customer at the other end that this procedure will be followed.

When drafts are drawn in pounds sterling all minor charges such as interest, commission, etc., are charged in on the rate of exchange that bankers in this country quote. Drawees arrange to pay these bills on London through their local bankers.

Sometimes, in drafts to the Far East or other places where it is impossible to make exact calculations clauses like this are usually inserted: "Payable with interest at 6 per cent per annum from the date of draft to approximate date of receipt of proceeds in United States." This clause is not inserted however, unless there is some previous understanding with the customer who often complains against paying anything beyond what is itemized on the invoice.

How Exports Are Financed to Paraguay

An interesting report on the methods of financing shipments to Paraguay recently made by Consul Henry H. Balch, of Asuncion, Paraguay, reflects the varying methods that may be in force in various parts of the world in connection with financing exports. This report appeared in an issue of "Export Trade" and part of it is as follows:

"The usual fee charged by Asuncion banks for the collection of amounts held by foreign banks on all classes of drafts, whether clean, documentary, or time, is one-fourth per cent with a minimum charge of 25 centavos, Argentine gold (about 23 cents) for drafts of small amounts.

"Each draft presented for collection must bear a Paraguayan stamp. The stamps required are as follows: For sight drafts or up to six days, 50 centavos; for drafts of nine days up to six months, one peso per $1,000 or more; for drafts of more than six months, 2 pesos per $1,000 or more. Such expenses are usually charged against the drawer of the draft. Checks or drafts remitted by Paraguayan banks in settlement of collections for foreign banks do not require Paraguayan stamps.

"The commercial code of Paraguay is the same as that of Argentina. Items must be presented before 11 o'clock a. m. on the day following due date. A notary draws up the act and notifies the drawee who states his reasons for not paying. The note of protest is made by the notary on the back of the draft, a copy of which may be obtained when required.

"The regular protest charge is 30 Paraguayan pesos for each signature to draft. If the draft is not in Spanish, an additional translation charge of 60 Paraguayan pesos for each page is made. These charges are made whether the bill is taken up or not.

"Banks generally will accept goods on consignment for transfer to the drawee according to the terms specified in the bill, but only when the goods represent the value of the bills sent for collection. Banks do not accept goods for the sole purpose of selling or storing them. The only charges for such services are those specified above.

"The usual banking phrase used in drafts drawn against Paraguayan consignee in dollars to enable the remittance of the face amount of such bills without deduction is: 'Payable with exchange, commission, stamps, and all costs for sight drafts in dollars on New York'."

Banks accept the consignment of goods imported into Italy, charging as a rule 1-2 per mille if they sell the goods and 1-4 per milie if an agent sells them. Banks discourage the sending of parcels to them, preferring that they be sent to a forwarding agent for their account. The forwarder then collects from the signee, and to his charge the bank adds its fee for collecting and issuing a delivery order on the forwarder..

The charge for collecting clean items on Genoa is 0.50 lira per item, plus 1 lira for each advice of item paid. To this is added any actual expenses incurred. The commission for collecting any documentary items is the same as for clean items, plus an additional 1-2 per mille, the minimum charge being 2 lire. The commission for obtaining acceptance is the same as for collecting. This tariff applies to the principal cities of Italy.

Bill stamp charges in Italy are 1 per mille. If the bills are stamped in the country of origin, the charge is 1-2 per mille. It is customary to attempt to collect these charges from the drawee, who usually pays. Deductions for stamp charges are made from remittances in case the drawee does not pay. No charge is made for stamps on checks remitted in payment of collections.

Protest on drafts with a fixed maturity must be made 48 hours after the day of presentation; i. e., the drawee has two days after the due date in which to pay Sight drafts can be protested at any time. Protest charges amount to about 15 lire; these charges are borne by the drawee if the item is paid after protest.

In reference to collection and banking charges on bills there is no fixed custom

as to who shall pay these charges, and there should always be an agreement between the buyer and seller or else a clause in the draft covering this point. At times drafts arrive on which the charges of the sending bank in America are added, and also interest to be collected from the date of the draft until the approximate date of arrival of funds in America.

Local banks guarantee the payment of drafts accepted by approved firms and the charge for this is generally about one-fourth of 1 per cent. The phrases used in drafts to obtain reimbursement of special charges, such as collection, commission, interest, and bill-stamp charges, are the same as those used in the United States. When it is desired to have the full face of the draft remitted such phrases should always be inserted. Banks undertake to remit the proceeds of bills on the United States without loss of exchange provided the following clause is placed in the draft: "Payable at the remittance bank's selling rate for sight drafts on New York."

There is no general custom regarding the bank from which the drawee purchases his draft. For large amounts he usually inquires of several banks to see where the most favorable rate may be obtained. When drafts are drawn in foreign currency it is the trade custom to accept the bank's selling rate for sight drafts. But, according to a war decree still in force, the drawer may pay at the official rate of exchange as fixed by the Bank of Italy, which rate is usually halfway between the buying and selling rate. This privilege, however, is rarely invoked.

Italian law fixes the rate of interest allowed to accepters for retiring drafts before maturity at 1 per cent. In practice, however, the rate is generally the same as the credit rate of interest on current accounts, which is at present from 2 to 3 per cent.

The only bank charges other than those already mentioned are for postage and bill stamps. It is preferred that these be paid in lire. If an account is carried with the Italian bank these charges are debited. If not, the dollar equivalent is paid to the bank's American correspondent.—Consul General Wilbur, in Commerce Reports.

The usual commission for collecting all items in Colombia, either with or without documents, is one-half of 1 per cent. It costs local banks from 1 to 1¼ per cent to collect items on interior points, and in such cases this charge is added to their commission.

The stamp tax provided by law for drafts is 4 cents per $100 but this is generally disregarded. In the rare instances in which stamps are used the drawee is supposed to pay the tax, but when he objects—as he generally does—the bank has to pay it. It is probably for this reason that most paper bears no stamps.

Protest charges are approximately $3 for each protest—a charge which the drawee has to assume if he later pays the draft. Protests are very seldom made, and local banks in taking items for acceptance and collection reserve the right to protest or not as they see fit, without responsibility on their part. Items may be protested either for failure to accept or to pay, and the protest must be made within 24 hours after the item is due and before 3 p. m. It may be made before maturity in case of failure or bankruptcy. All protests must be made before a notary public and two witnesses. The holder of a protested item is entitled to legal interest from date of protest until paid. (Colombia Commercial Code, arts. 855-893.)

Merchants most generally object to paying collection charges on items drawn on them, though they naturally pay interest on time drafts when so specified. It is customary for the drawer to stand the expense of collection, and it is suggested that when it is desired that the importer pay these charges there be inserted on the face of the draft the phrase, "with all banking charges."

Local banks do not guarantee the payment of drafts accepted by approved firms.

If the shipping papers contain the drawee's name as consignee there is no advantage in drawing on a firm in Colombia with documents attached to be delivered on acceptance. When merchandise arrives at the port it is delivered to the customhouse by the transportation company, and bills of lading are not required by the customs officials as a condition of delivery to consignee. The only document required to obtain the shipment is the Colombian consular invoice, and the consignee need not obtain the original invoice attached to the draft held by the bank, but may demand a copy of the invoice received direct by the customhouse from the Colombian consul, which is issued to him on the payment of a small stamp fee and which he can use for making the regular customs entry. This procedure is not usual, but it has been resorted to, and unless a firm's credit is known to be good it is better to consign the merchandise to the bank with instructions to indorse the consular invoice to the purchaser upon his accepting the draft.—Consul C. E. Guyant, in Commerce Reports.

CHAPTER XIX

AMERICAN BANKS IN FOREIGN TRADE AND FOREIGN INVESTMENTS

An exporting nation that aims to obtain a reasonable share of the world's commerce requires coordination on the part of those interests that may be directly or indirectly connected with foreign trade. Obviously, there must be a desire on the part of all concerned to work in harmony for the development of business abroad; there must be the fullest cooperation on all sides; there must be a natural willingness to shoulder a certain share of the common task. Working hand in hand, the building of business overseas will be accomplished with facility; working at cross purposes, progress will be retarded.

It is needless to say that from the Government must come the cooperation, and the authority to do business abroad on a basis that will put us on an equality with our foreign competitors. We have already seen how American manufacturers and exporters may combine for the purposes of engaging in foreign trade on a basis that will insure economy of operation as well as efficiency in merchandising. Before the enactment of the Webb-Pomerene Act there was no device available to American exporters that would enable them to successfully compete with gigantic combinations existing in foreign countries. While we were enjoying a tremendous business abroad in spite of this disadvantage, nevertheless, the addition of this device to our scheme of foreign merchandising has resulted in the most gratifying results within recent months. Our statistics of foreign trade show this to be true.

A similar situation has been created in connection with our merchant marine. Whether an American merchant marine must exist under direct Government ownership or under private ownership need not be argued here. What we are most vitally concerned in at the present moment is in

having a merchant marine which is capable of carrying our vast stores of supplies to foreign countries, and which is capable of bearing up under the most severe strain. Our merchants must have some form of assurance that they are to be extended all the necessary facilities to move their goods to foreign countries. Without cooperation in this respect it would be difficult to compete with foreign countries for the world's trade.

And then the machinery of financing our shipments to customers abroad must be in smooth running order. Before the enactment of the Federal Reserve Act our national banks were denied the authority to establish branches in foreign countries. The business of these banks that found it necessary to do business abroad was transacted through affiliations in foreign fields. But as our business grew it became apparent that additional banking facilities would be necessary to take care of the increasing wants of our manufacturers and exporters whose business was growing tremendously in volume. The banks were needed to handle credit operations; to obtain credit information, and to transact all other business peculiar to banks engaged in foreign trade.

The Federal Reserve Act came to the rescue. It empowered our national banks to discount acceptance paper representing trade transactions, to hold stocks in national bank associations organized for foreign trade under agreement with the Federal Reserve Board, and to establish branches in foreign countries.

With the loosening of the legal strings, American banking corporations have been making remarkable progress in foreign fields. The American exporter now has banking facilities equal to those of any other foreign country. International transactions are now handled by our banks with ease. It is just as easy to transact business through a bank with a merchant in Buenos Aires as it is with a merchant in North Dakota. These banks are also rendering remarkable service. They are gathering reliable credit data from all corners of the globe for the use of their clients. Information regarding commercial conditions is at the disposal of manufacturers and exporters. For instance, the National City Bank of New York, which has the largest number of branches in foreign

countries of any American bank issues booklets on foreign trade that are invaluable to American merchants.

Foreign trade experts connected with the bank from time to time prepare papers on various phases of foreign trade that should be in the hands of every exporter.

Another national bank rendering admirable service in foreign trade is the Irving National Bank of New York City. Although it has no branches in foreign countries it has affiliations in all principal centers. A feature of the bank's services to exporters is the information it gratuitously extends to exporters. It has published two books on foreign trade—one concerning Latin America and another the Far East that should be in the library of every exporter.

The Guaranty Trust Company, of New York, a state institution, is another bank that is rendering great service to exporters. The Guaranty Trust Company's publications in connection with foreign trade are noteworthy. Having its own branches, and correspondents in many parts of the world the Guaranty Trust Company is in a position to render efficient service to its clients.

Foreign Branches of American Banks

There is given below a list of foreign branches of national banks, and banks doing business under agreement with the Federal Reserve Board, which were open for business on November 10, 1919:

NATIONAL BANKS.

1. *National City Bank of New York City*:

Buenos Aires, Argentina.
Once, Buenos, Aires, Argentina.
Rosario, Argentina.
Bahia, Brazil.
Pernambuco, Brazil.
Porto Alegre, Brazil.
Rio de Janeiro, Brazil.
Santos, Brazil.
Sao Paulo, Brazil .
Santiago, Chile.
Artemisa, Cuba.
Bayamo, Cuba.
Caibarien, Cuba.
Camaguey, Cuba.
Cardenas, Cuba.
Ciego de Avila, Cuba.
Cienfuegos, Cuba.
Colon, Cuba.
Cruces, Cuba.
Cuatro Caminos, Habana, Cuba.

Valparaiso, Chile.
Guantanamo, Cuba.
Habana, Cuba.
Manzanillo, Cuba.
Matanzas, Cuba.
Pinar del Rio, Cuba.
Placetas del Norte, Cuba
Remedios, Cuba.
Sagua la Grande, Cuba.
Sancti Spiritus ,Cuba.
Santa Clara, Cuba.
Santiago, Cuba.
Union de Reyes, Cuba.
Yaguaijay, Cuba.
Genoa, Italy.
Galiano, Habana, Cuba.
Barcelona, Spain.
San Juan, Porto Rico.
Vladivostok, Siberia.
Port of Spain, Trinidad.
Calle Rondeau, Montevideo, Uruguay.
Montevideo, Uruguay.
Caracas, Venezuela.
Maracaibo, Venezuela.
Medellin, Colombia.
Temporarily closed—
Moscow, Russia.
Petrograd, Russia.

2. *First National Bank of Boston, Mass.*:
Buenos Aires, Argentina

BANKS DOING BUSINESS UNDER AGREEMENT WITH THE FEDERAL RESERVE BOARD.

1. *American Foreign Banking Corporation, New York City*:
Brussels, Belgium.
Cali, Colombia.
Cristobal, Canal Zone.
Harbin, Manchuria.
Habana, Cuba.
Manila, Philippine Islands.
Panama City, Republic of Panama.
Port au Prince, Haiti.
Rio de Janeiro, Brazil.

2. *Mercantile Bank of the Americas, New York City*:
Paris, France.
Barcelona, Spain.
Madrid, Spain.
Affiliated Institutions—
Banco Mercantil Americano de Colombia; Bogata, Barranquilla, Cartagena, Medellin, Cali, Girardot, Manizales, Honda, Armenia, Bucaramanga, Colombia.
Banco Mercantil Americano del Peru: Lima, Arequipa, Chiclayo, Callao, Trujillo, Peru.
Banco Mercantil Americano de Caracas: Caracas, La Guayra, Venezuela.

American Mercantile Bank of Brazil: Para, Pernambuco, Brazil.
National Bank of Nicaragua: Managua, Bluefields, Leon, Granada, Nicaragua.
Banco Mercantil Americano de Cuba: Habana, Cuba.
Banco Atlantida: La Ceiba, Tegucigalpa, San Pedro Sula, Puerto Cortez, Tela, Amapala, Honduras.

(A branch office is also maintained by the Mercantile Bank of the Americas in New Orleans, La.)

3. *Asia Banking Corporation of New York City*:
Canton, China.
Changsha, China.
Hankow, China.
Hongkong, China.
Manila, P. I.
Peking, China.
Shanghai, China.
Tientsin, China.

4. *International Banking Corporation of New York City*:
Bombay, India.
Canton, China.
Calcutta, India.
Batavia, Java.
Cebu, P. I.
Colon, Republic of Panama.
Hankow, China.
Harbin, China.
Hongkong, China.
Kobe, Japan.
London, England.
Lyons, France.
Manila, P. I.
Peking, China.
Puerto Plata, Dominican Republic.
Panama, Republic of Panama.
Rangoon, India.
Shanghai, China.
Soerabaya, Java.
Singapore, Straits Settlements.
Santo Domingo, Dominican Republic.
Sanchez, Dominican Republic.
San Pedro de Macoric, Dominican Republic.
Santiago, Dominican Republic.
Tientsin, China.
Tsingtao, China.
Yokohama, Japan.

(A branch office is also maintained by the International Banking Corporation in San Francisco, Calif.)

5. *Park Union Foreign Banking Corporation, New York City*:

Paris, France. Shanghai, China.
Yokohama, Japan.

(Branch offices are also maintained in San Francisco, Calif., and Seattle, Wash., by the Park Union Banking Corporation.)

The First National Corporation, Boston, Mass., has opened no foreign branches. A branch office of the corporation is maintained at 14 Wall Street, New York City.

The Shawmut Corporation of Boston, Mass., the French American Banking Corporation of New York City, and the Foreign Credit Corporation of New York City have opened no foreign branches.

There Is Limit to Bank's Cooperation

With these banking institutions ready to cooperate with American exporters in the development of foreign trade the opportunity is present for tremendous progress in foreign fields. The difficulties of financing foreign shipments—which have discouraged many an American exporter from engaging in foreign commerce—have been reduced to a minimum by the establishment of branches and other affiliations. The exporter must not, however, place his entire faith in the aid he is to receive from the banks. The banks can merely cooperate, but it is not their mission to "drum" up trade for their clients. The success of the exporter's venture depends upon himself and not upon the banker. The banker has difficulties of his own in maintaining a foreign organization.

In speaking about the mission of American banks having branches abroad, John E. Gardine, Chairman of the Board of the International Banking Corporation, before the Sixth National Foreign Trade Convention in Chicago, in 1919 had this to say:

"We cannot expect to sell goods without placing the purchaser in a position to buy them. Today the purchasers of Europe have no money. Consequently whatever we sell must be on a credit basis. South America, however, is in a better

position to trade. In fact, we have been a debtor nation to that country, so we know how it feels to owe money, where the reverse should be the case. That, however, is the matter of yesterday. We are not here to criticise what has been done, nor to suggest what should be done tomorrow along political lines. My purpose is to demonstrate to you the usefulness of one branch of commercial life of this country, in doing pioneer work in foreign lands, and that is to show you to what extent the branch bank system, as authorized by the Federal Reserve law, can be utilized to its fullest extent and can lend its aid to the furtherance of the foreign business of the country, which will be so essential in the future.

Federal Reserve Law Permits Foreign Branches

"As you all know, this notable act of ours permits national banks with a capital in excess of one million dollars, to establish branch banks in foreign countries, with the consent of the Federal Reserve Board. That consent has never been withheld, but the establishment of branch banks is not an easy matter. It is not a question of money. It is a question absolutely of personnel.

"It may seem strange that in this country of 107,000,000 inhabitants, one of the most difficult things to obtain is a staff of competent men to engage in one of the most respectable, most lucrative businesses in foreign lands. But, sad to relate, it is so, and the result has been that the banks of this country are forced to establish their own educational institutions, so that these men can have the proper training.

"In the past we have been obliged to put our reliance upon foreign institutions, in doing our foreign business. That again, is a matter of yesterday. The foreign institutions that are abroad resent the entrance of American institutions into their field, and properly so. They, of course, are only there in the interest of their nations, and to such an extent do they carry out that policy that they do not hesitate to resort to the most unfair methods in meeting and combatting competition from other lands. It is no small wonder that the German trader was so successful in foreign lands. But when we now find out how that was done, we really shudder at the

lowness of their attitude. Never an invoice nor bill of lading came into their hands but what it was copied and sent to their home office and there made use of to the fullest extent. Is it any wonder that their trade progressed so well?

"Another advantage that the American merchant can find in the existence of branch banks is in the continuation of responsibility. Many of you have noted, when you have handed your collections into the bank that you were told that the bank would assume no responsibility for any act of its agents, over whom it had no control. So that if a failure took place while an item was in process of collection, and it just happened to strike you and your check that was remitted was worthless, you were the sufferer. Your bank assumed no responsibility. Now that has been done away with. That is also a matter of yesterday. Today responsibility is continuous. It is an item that really is worth consideration when you take into account the unknown quantity that you formerly had to employ in foreign business.

Credit Information
Available to Client

"A further and more important advantage is the compilation of credit information. Reports are on file in the office of the American banks that are absolutely complete, and could readily be compared with the files of any credit agency, and the contents of these files are not public property, but the property of the clients of the bank, and are absolutely confidential, and as confidential communications, contain matter that no credit agency was ever able to obtain. These files are at all times subject to the inspection of the bank's clients, and are always brought down to the latest date.

"Furthermore, the advantage that the American shipper has in the protection of his property: You all know that the laws of some of the countries to the south of us are rather lax in the safeguarding of commercial interests, particularly bills of lading. The foreign merchant can oftimes obtain his goods by the mere statement at the custom house that they are his, although draft might be drawn with bill of lading attached, subject to payment. That means nothing, but here is where the branch bank steps in and knows just exactly how to proceed in order to prevent any abuse of that practice. Since we have had branch banks in South America I cannot recall a single instance where merchants have lost anything through the delivery of goods without proper authority.

"In the foreging remarks you will find the following elementary service referred to along general lines, which we will summarize as follows: Continuity of responsibility, inviolability of trade secrets, the care of merchandise, reliable credit information. These are primary elements in the conduct of all banking business and we will now enter upon a closer investigation of matters pertaining to individual clients; particularly in matters of public utilities or the laying of water pipes or other city or government undertakings, but in those cases, for instance the laying of water pipes or mains in the city of Rio de Janiero: I know a great deal of care has to be exercised to see that the contractors are not imposed upon. The contractors, being Americans, the cases are generally reversed. Instead of the contractor imposing upon the city, the authorities try to impose upon the contractor and he, not being familiar with conditions, not knowing how to turn or twist, appeals to the branch banks, but the men who are thoroughly conversant with that kind of business are in touch with good lawyers, and in that way a great service is being rendered.

How Bank Advances
Money Against Shipments

"A good deal of doubt has been brought forward as to whether American banks are in a position to advance money against shipments of merchandise, as is being done with certain staples shipped, such as cotton, and on this subject the mind of the manufacturer can be set at rest. This line of business is carried on in different ways, either through a direct purchase of the draft or through an advance of a certain percentage of the face value of the draft, or through direct loans with drafts hypothecated as collateral, or through direct loans regardless of any collateral value, and this latter line is employed mainly where large contracts are in question and where it is not practicable or feasible to segregate any particular transaction. These matters can be arranged under an

understanding with the home bank, and in the past have worked out very satisfactorily.

"So far we have spoken of the manufacturer only as granting credits, that is, he draws his draft and assumes the entire responsibility for the transaction until he receives his money in either one of the forms indicated above. This system may not suit the manufacturer, and he alone, is the arbiter in that respect. He might say, 'I haven't the capital to do business that way," or the goods being of such a character that they are valueless in the hands of any general purchaser, he might call for payments before the goods are shipped. Here again the branch bank steps in and is of the greatest assistance. Being acquainted with local conditions and with the merchants, the prospective buyer readily enters into an arrangement with the branch bank to make payments through the home office under certain conditions, either against the delivery of documents or otherwise, so that the American manufacturer receives his money sometimes even before the order is executed, where the problem is a risky one, but more often before the goods leave the factory.

Bank Branch Does
Tremendous Business

"Business conducted along these lines in the past year or so, in the case of one particular bank I have in mind at the present time has run into the hundreds of millions of dollars, and the service rendered in this way extends all over the world, east, west, north and south—in fact, branches of that particular bank girdle the earth. The same service can be rendered the importer as well as the exporter. The development of the foreign business of the country is, generally speaking, of greater importance than is manifested by a casual consideration. Commercial instruments arising out of the import and export business of the country are the very essence of the security underlying the note issue of the Federal Reserve Banks, I refer to the bankers' acceptance. That, as a rule, results from foreign business. Internal trade brings with it trade acceptances which are just as important, but carries with it only the security of a commercial house; whereas the banker's acceptance is recognized the world over and is eagerly sought for as an investment at the closest rates everywhere.

"Now for the present the bankers of this country are perfectly willing to render all assistance along these lines that it is possible to give, but it must be borne in mind that there are limitations in this respect. These limitations are provided for by law, beyond which a bank is not able to go. Thus you will see that the foreign business of the country would be severely circumscribed if confined merely to this extent. Therefore, the cooperation of manufacturers must be expected. The business of the country would then assume proportions commensurate with the resources, industrial and otherwise, of our people, but this all requires education, and I have endeavored in my remarks to point out to what extent the banks and bankers of the country will be helpful to you in creating the necessary experience to successfully conquer the situation.

The Foreign Trade
Department of a Bank

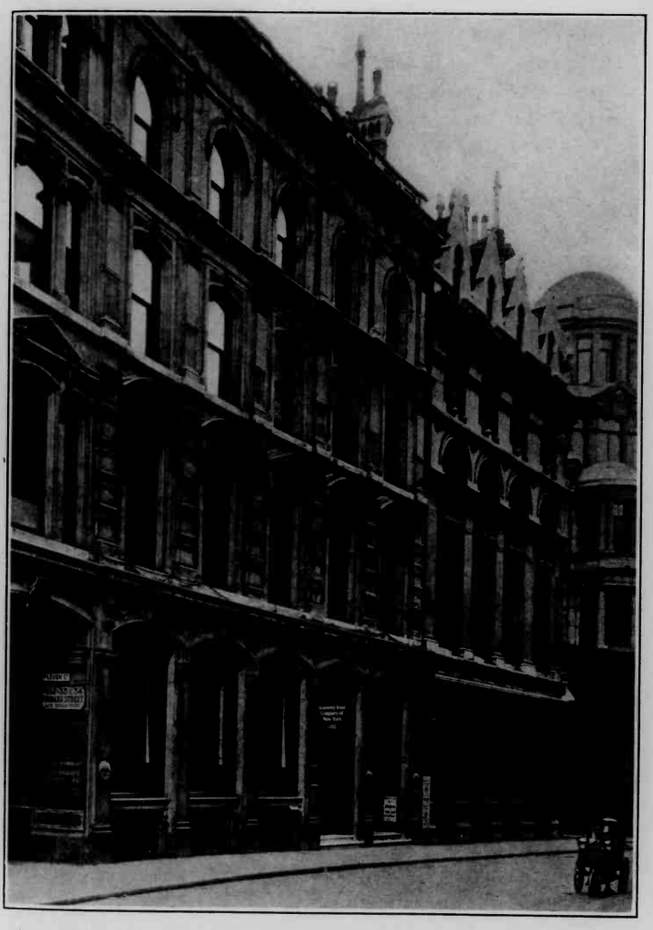
"In order to bring the buyer and seller together, a new department has been organized by the banks of this country, and this is known as the Foreign Trade Department. This is an institution entirely distinct from the usual banking activities and is manned in its personnel by men familiar with every line of business, whether commercial or industrial, and stands ready at all time, in every way, to lend a helping hand to the different manufacturers who first venture into the foreign field. Service is the watchword. As all these questions arise as to methods of manufacturing, marketing, financing and other kindred points that seem to the uninitiated difficult of solution or insurmountable, there is where the agencies of the foreign trade departments of the various banking institutions throughout the country successfully contend with any difficulties of that character. It must be further borne in mind that the personal characteristics of the foreign nations are not those of our own and that methods that are necessary in approaching them or in dealing with them or in solving problems that arise out of continued intercourse, need the greatest finesse in order to avoid friction; in fact, friction is the word that ought to be entirely abolished from any commercial code. The American youth sent out to man these

branches are men of tried character throughout, conversant with business affairs in this country and very readily adapt themselves to foreign surroundings, and to the idiosyncrasies of the inhabitants of foreign countries, and through the exercise of a fine sense of discretion are able to smooth over rough spots that might otherwise cause a cessation of all intercourse."

Other Services Rendered by Branches

Service is the principal feature of the American bank branch in a foreign country. Without service the bank cannot expect to thrive. Without cooperating with American manufacturers and exporters it cannot expect to grow. It must give service. Our larger banking institutions are so organized that they undertake through their foreign trade departments to keep their clients who are engaged in foreign commerce in close touch with conditions in foreign lands. Clients of such banks regularly receive trade reports from all sections of the globe. Credit reports on customers are at the disposal of clients. These credit reports are complete and represent one of the most important functions a bank engaged in foreign trade can perform for the American exporter who would be running around in circles unless he could obtain reliable credit information concerning a customer to whom he desires to ship thousands of dollars worth of merchandise.

The traveler also receives the full benefit of this service in touring in foreign countries where American branch banks exist. The home office is always ready to give letters of introduction to clients who wish to visit abroad. These letters are presented to the manager of the foreign branch. The client is made to feel at home on arrival in a foreign port. If he is unacquainted with the methods of exchanging his American dollars for the currency of the country in which he happens to be the branch manager helps him. If he would like to obtain a list of reliable firms for the purpose of soliciting new business the branch manager sees that he is given a reliable list of names, and information regarding their credit standing. If he is unable to speak the language of the country the branch manager will place at his disposal a member of the staff to



American banks are extending their activities to the world's markets where there may be opportunities for the sale of American goods. Foreign branches of American banks are needed in order to facilitate the financing of shipments. This photograph shows the London office of the Guarantee Trust Company of New York.

INTENTIONAL SECOND EXPOSURE

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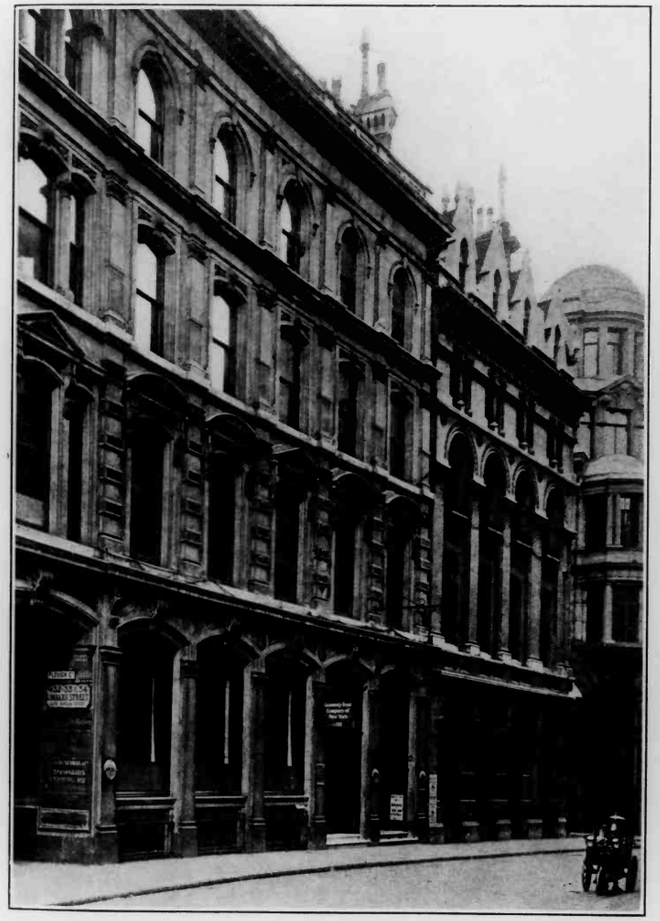


American banks are extending their activities to the world's markets where there may be opportunities for the sale of American goods. Foreign branches of American banks are needed in order to facilitate the financing of shipments. This photograph shows the London office of the Guarantee Trust Company of New York.

act as interpreter and to introduce him to prospective customers. If he has trouble in getting his trunks out of the customs house or in planning his itinerary the branch manager sees that he is given assistance.

Representative of American Business

Above all, the service of the American bank in the foreign field that is most important is that of acting as the representative of American business. In such capacity, it is needed. It cannot get the business for American business men—it is not supposed to assume that role, but it can help in developing trade. It can place the foreign customer in touch with reliable American manufacturers or exporters. Once having accomplished this the consummation of the transaction rests with the American shipper. Hundreds of specific instances could be cited where our American banks established in foreign cities have directly fostered trade. The establishment of an American bank in a foreign country means that the United States is engaged in foreign business, and that it is in a position to extend every facility in its power to bring buyer and seller together. It acts as go-between.

American business men do business differently than foreign competitors. The success of our foreign trade will rest largely not in the way we assimilate the ideals and customs of peoples across the seas but upon the way we extend the typical American commercial methods to their shores. We need not change our methods; we need not lose our personality. We must remain peculiarly American. Foreigners expect this of us. It is a relief to know that American branches in foreign countries are American in every way. They represent better than any foreign bank could possibly do it the American idea as it develops in foreign merchandising. Take the gathering of foreign credit information, for instance. When American foreign branches were first established in foreign countries it was said that importers could never be induced to give the specific information that American business men are accustomed to give in the United States. Now this is not difficult. The typical foreign credit report is a generalization of a business man's standing in the commun-

ity. Sometimes, such reports are sufficient, but good business dictates that reports of this character be more specific nowadays. Some American banking institutions have over 50,000 credit reports of foreign business men in their files. It is hardly likely that a manufacturer could go wrong in shipping merchandise to any importer named in this list which is prepared by experts, and is considered absolutely reliable.

How Banks Extend Credit

The ability of American banks to give adequate assistance to our manufacturers in foreign credit extensions is told by James H. Carter, vice president of the National City Bank of New York City as follows:

"A few years ago it was true that American export trade was greatly handicapped by the lack of uniform banking service. It is not true now, and still manufacturers sometimes talk as if they thought the American banks would not do as much for them as European banks did for their exporters. The American banks that have built up international machinery are themselves extending to American export trade a large volume of discount in the aggregate and it can be said no American manufacturer who has established his responsibility should lack credit in his foreign business. American manufacturers must do foreign business upon a credit basis, and the banks will surely meet them will a full share of cooperation.

"Foreign credits seem to be frequently misunderstood by manufacturers. We often hear of the question of insuring foreign bills, or getting banks to buy foreign drafts without recourse to the exporter in case of dishonesty being brought up when groups of manufacturers talk together. I am sure that any intelligent manufacturer who goes into the subject of discount without recourse, or credit insurance exhaustively will decide for himself that the principle upon which British and American bankers have agreed is correct: that both are unsound, or uneconomic in the long run. England is the home of the highest development of every kind of insurance in the world, but insurance of export drafts has never paid in England, because manufacturers after a trial of it have so invariably come to the conclusion that they have to pay more for insurance than the service is worth that they do not support any volume of insurance worth considering. The manufacturer who desires to extend good lines of credit to foreign customers may go today to American banks and negotiate loans sufficient for safe business. The bank will advise him of the credit responsiblity of his foreign customer but it will not assume the risk of the credit. The bank takes into consideration the fact that it has in its possession the goods going forward; it takes into consideration also the responsibility of the foreign customers, and, on the average, it will allow the exporter usually a much larger line of discount than could be obtained were the business domestic; always, of course with recourse to the drawer in the event of dishonesty. Almost invariably it has been the supposed limitation upon the foreign business done on credit that furnished the manufacturer's motive in asking for insurance on discount without recourse. The larger volume of discount credit allowed by the bank goes in the direction of meeting this want. It is possible that most manufacturers anticipate a larger opportunity for sales than actually materializes; in other words, the manufacturer actually finds that the British and American banks give him as large a volume of discount as he really needs and should consistently use in comparison to the capital he has in his business. And while a manufacturer often says that he would willingly pay a liberal commission or premium to be relieved of the contingent liability in foreign collections, it has worked out in British export experience, and will surely work out the same in our trade, that after trying insurance at the rates now obtaining, manufacturers conclude that they are paying more in premiums than the service of insurance is worth."

Foreign Service That American Bankers Advertise

Typical of the services that American banking institutions engaged in foreign trade render is this statement appearing in a pamphlet recently issued by a well known bank in New York City. It reads:

"To manufacturers and merchants who are interested in

modern methods of financing their import and export trade, we offer the advantage of our Foreign Department, and invite the opportunity of caring for their needs with an intelligent interest in the task. Supplementing our own facilities are those of correspondent banking institutions in all the leading trade centers, which provide direct and prompt service everywhere.

"Foreign Exchange—Foreign drafts, money orders, checks, and bills of exchange are bought and sold at current rates. We have remittances to all parts of the civilized world in dollars or foreign currencies.

"Commercial credits—To finance imports and exports we open commercial credits and make payments in the United States and abroad.

"Collections—We accept bills for collection on all countries and make advances while bills are in the process of collection.

"Direct Connections—Our direct and intimate connections with many hundred correspondents in all parts of the civilized world enable us to perform special service, both for the individual importer and exporter, and for corporations whose affairs extend over a wide territory.

"Acceptances—Dollar Acceptances, and acceptances in other currencies are provided to finance the customers' consignments and purchases. Domestic shipment of goods, as well as imports and exports, may be financed on liberal terms by this bank's acceptances.

"Loans—Advances on security of warehouse receipts and bills of lading are made at convenience of clients. We discount approved bills of exchange.

"Letters of Credit—Our letters of credit, issued on banking correspondents everywhere, are available throughout the world.

"Travellers' Checks—Our Travellers' checks are readily convertible into all foreign currencies without inconvenience or delay, and form a safe method of carrying funds.

"Money Orders—For remittances to places too small to be reached through banking channels we offer our money order system. By this system remittances are made without difficulty anywhere, money being delivered to recipients through their local post offices, without extra expense.

"Cable transfers — We make able transfers to every country of the world with which America is in communication.

"Facilities for Banks — Of special interest to banks and bankers in the United States is our system whereby arrangements are made to enable them to issue their own drafts and money orders, on forms printed in their own name. Such remittances are payable through the correspondents of this bank, etc.

"Foreign Money—Various foreign currencies, whether gold, silver, or bank notes, are received for credit at current rates and are bought, sold or quoted.

"Foreign Securities—We buy and sell treasury notes, bills, bonds and other foreign obligations.

"Financial agent—We act as fiscal agent for foreign governments, cities, banks, etc., and offer our services for collecting or disbursing purposes.

"Credit information—The latest and most complete credit information respecting foreign firms and corporations is contained in our files. The service of these files has proved of immeasurable advantage to importers and exporters and is offered for the best accommodation of our customers.

"Intelligent Service—Knowledge of foreign trade conditions, rates of exchange, etc., is of vital importance to the American business man. We cheerfully furnish this information which our experience and wide connections enables us to obtain."

Another well known banking institution in New York City maintains a Foreign Trade Bureau. This bureau has a corps of investigators devoted to the study of foreign commercial conditions and export trade, and its services are at the disposal of those interested.

The bureau will investigate any concern outside of the United States with regard to its credit standing and general commercial probity. The records of this bureau include over 50,000 names of firms and corporations in foreign countries. It also collects information on international trade, conditions and opportunities making independent researches, using a number of sources and checking back and verifying the results of its labors. It strives to give its clients the latest and most complete available information.

The Bureau keeps files of foreign and domestic busi-

ness houses classifying them according to their international trade interests, and watches the course of commerce, with particular regard to the developing needs of other countries, and opportunities for the promotion of new lines.

An important feature of this bureau consists of the giving of information concerning the import tariffs of other countries, trade regulations and restrictions, both import and export as well as information regarding business procedure in other lands.

The Edge Act to Extend Long Credits

The latest form of banking legislation in the United States is the Edge Act, an amendment to the Federal Reserve Act, which represents another step forward in the development of international business relations and the restoration of foreign exchange to normal conditions.

The principal purpose of the Edge Act is to permit other nations to purchase American goods on long-term credits. This may be done without tying up the capital of American manufacturers, exporters, or bankers beyond a reasonable time, yet it permits foreign buyers to postpone payment for goods until they are able to pay or until the foreign exchange situation is more satisfactory.

To accomplish this end, the Edge Act permits the organization of corporations which will be permitted to extend long-term credits on notes and securities offered by foreign buyers.

This collateral will serve as a basis for the issuing of debentures by these corporations, for sale to the American investing public.

As one writer puts it; "the Edge Act provides a species of reserve system for long credits, somewhat like the system provided by the Federal Reserve Act for short-term credits. The Federal Reserve bank buys, or discounts the notes that a member bank has received from merchants, giving currency to the member bank or a balance subject to its draft, thus unfreezing the funds which the member bank had put beyond its own use by lending to the merchant. The corporations created by the Edge Act will take the bonds or long-

term notes which American exporters have received from foreign corporations and business men, and will give the exporter cash for them, unlocking frozen credits for him as the reserve banks do for their members. The reserve bank gets the cash for its purposes by the issue of circulating notes or the creation of balances subject to the member bank's draft. The Edge Act corporation will get its cash by reselling the foreign notes or bonds to American investors or by selling the corporation's own debentures to the public, using the foreign notes and bonds as collateral to secure such debentures."

How Corporations May Be Formed Under Edge Act

The following is a summary of the contents of the Edge Act showing how corporations may be organized under its provisions, and how they can conduct business: (the full text of the Edge Act is given elsewhere in this chapter)

Corporations may be formed by five or more "natural persons."

Articles of association must be filed with the Federal Reserve Board.

The principal powers of such a corporation are to deal in or discount notes, drafts, bills of exchange and acceptances, purchase or sell securities with or without its endorsement or guarantee, accept bills or drafts drawn upon it under limitations and restrictions imposed by the Reserve Board, issue letters of credit, borrow and lend money and issue debentures, bonds, and promissory notes under limitations prescribed by the Reserve Board, but in no event having liabilities outstanding at any one time exceeding ten times its capital and surplus.

While it may receive deposit outside the United States it may only receive such deposits within the United States as may be incidental to or for the purpose of carrying on transactions outside of the country.

It may establish agencies in the United States or branches abroad.

It is forbidden to engage in any other business except such as is incidental to international or foreign operations.

It cannot engage in commerce or in trade in commodities except as especially provided in the Act, nor shall it control or fix prices of any such commodities under pain of forfeiting its charter.

The corporation must have at least $2,000,000 capital, one quarter of which must be paid in before beginning business. National banking associations may invest in the stock of one or more corporations organized under the Edge Act, but only up to 10 per cent of their capital and surplus.

A majority of the shares of the capital stock must be held and owned by citizens of the United States, or by corporations or firms chartered under the laws of the United States or of a State in the Union, the controlling interests in which are owned by citizens.

Banks or banking institutions now incorporated under state laws may, by vote of shareholders, and with the approval of the Reserve Board, be converted into a Federal corporation of the kind authorized by the Edge Act.

The success of the Edge Act will depend largely upon the extent the corporations organized under the act are able to convince the American investing public as to the desirability of the debentures offered for sale. A campaign of education, it seems, will be required to bring about the desired results. It does not take much effort to induce an American investor to place his money on a domestic security, for besides its attractiveness, he feels a sense of security because it is purely an American enterprise. But when he is asked to invest in a security he knows very little about, there will likely be trouble unless a campaign of education aimed to explain the desirability of these investments, is inaugurated.

There should be no question as to the desirability of these investments if the corporations offering them, extend to the public the opportunity to carefully examine the collateral behind them.

Herewith is the complete text of the Edge Act:

An act to amend the act approved December 23, 1913, known as the Federal Reserve Act.

Be it enacted by the Senate and House of Representatives of United States of America in Congress assembled, That the Act approved December 23, 1913, known as the Federal Reserve Act, as amended, be further amended by adding a new section as follows:

"Banking corporations to do foreign banking business.

"Sec. 25 (a) Corporations to be organized for the purpose of engaging in international or foreign banking or other international or foreign financial operations, or in banking or other financial operations in a dependency or insular possession of the United States, either directly or through the agency, ownership, or control of local institutions in foreign countries, or in such dependencies or insular possessions as provided by this section, and to act when required by the Secretary of the Treasury as fiscal agents of the United States, may be formed by any number of natural persons, not less in any case than five.

"Such persons shall enter into articles of association which shall specify in general terms the objects for which the association is formed, and may contain any other provisions not inconsistent with law which the association may see fit to adopt for the regulation of its business and the conduct of its affairs.

"Such articles of association shall be signed by all of the persons intending to participate in the organization of the corporation and, thereafter, shall be forwarded to the Federal Reserve Board, and shall be filed and preserved in its office. The person signing the said articles of association shall, under their hands, make an organization certificate which shall specifically state:

"First. The name assumed by such corporation, which shall be subject to the approval of the Federal Reserve Board.

"Second. The place or places where its operations are to be carried on.

"Third. The place in the United States where its home office is to be located.

"Fourth. The amount of its capital stock and the number of shares into which the same shall be divided.

"Fifth. The names and places of business or residence of the persons executing the certificate and the number of shares to which each has subscribed.

"Sixth. The fact that the certificate is made to enable the persons subscribing the same and all other persons, firms, companies, and corporations, who or which may thereafter subscribe to or purchase shares of the capital stock of such

corporation, to avail themselves of the advantages of this section.

"The person signing the organization certificate shall duly acknowledge the execution thereof before a judge of some court of record or notary public, who shall certify thereto under the seal of such court or notary, and thereafter the certificate shall be forwarded to the Federal Reserve Board to be filed and preserved in this office. Upon duly making and filing articles of association and an organization certificate, and after the Federal Reserve Board has approved the same and issued a permit to begin business the association shall become and be a body corporate, and as such and by the name designated therein shall have power to adopt and use a corporate seal, which may be changed at the pleasure of its board of directors; to have succession for a period of 20 years unless sooner dissolved by the act of the shareholders owning two-thirds of the stock or by an Act of Congress or unless its franchises become forfeited by some violation of the law; to make contracts; to sue and be sued, complain, and defend in any court of law or equity; to elect or appoint directors, all of whom shall be citizens of the United States; and, by its board of directors, to appoint such officers and employes as may be deemed proper, define their authority and duties, require bonds of them and fix the penalty thereof; dismiss such officers or employes or any thereof at pleasure, and appoint others to fill their places; to prescribe, by its board of directors, by-laws not inconsistent with law, or with the regulations of the Federal Reserve Board regulating the manner in which its stock shall be transferred, its directors elected or appointed, its officers and employees appointed, its property transferred, and the privileges granted to it by law exercised and enjoyed.

"Each corporation so organized shall have power, under such rules and regulations as the Federal Reserve Board may prescribe:

"(a) To purchase, sell, discount, and negotiate, with or without its endorsement or guarantee, notes, drafts, checks, bills of exchange, acceptances, including bankers' acceptances, cable transfers and other evidences of indebtedness; to purchase and sell with or without its endorsement or guarantee, securities, including the obligations of the United States or of any state thereof but not including shares of stock in any corporation except as herein provided; to accept bills or drafts

drawn upon it subject to such limitations and restrictions as the Federal Reserve Board may impose; to issue letters of credit; to purchase and sell coin, bullion, and exchange; to borrow and to lend money; to issue debentures, bonds, and promissory notes under such general conditions as to security and such limitations as the Federal Reserve Board may prescribe, but in no event having liabilities outstanding thereon at any one time exceeding ten times its capital stock and surplus; to receive deposits outside of the United States and to receive only such deposits within the United States as may be incidental to or for the purpose of carrying out transactions in foreign countries or dependencies or insular possessions of the United States; and generally to exercise such powers as are incidental to the powers conferred by this act or as may be usual, in the determination of the Federal Reserve Board, in connection with the transaction of the business of banking or other financial operations in the countries, colonies, dependencies, or possessions in which it shall transact business and not inconsistent with the powers specifically granted herein. Nothing contained in this section shall be construed to prohibit the Federal Reserve Board, under its power to prescribe rules and regulations, from limiting the aggregate amount of liabilities of any or all classes incurred by the corporation and outstanding at any one time. Whenever a corporation organized under this section receives deposits in the United States authorized by this section it shall carry reserves in such amounts as the Federal Reserve Board may prescribe but in no event less than ten per centum of its deposits.

"(b) To establish and maintain for the transaction of its business and branches or agencies in foreign countries, their dependencies or colonies, and in the dependencies or insular possessions of the United States, at such places as may be approved by the Federal Reserve Board and under such rules and regulations as it may prescribe, including countries or dependencies not specified in the original organization certificate.

"(c) With the consent of the Federal Reserve Board to purchase and hold stock or other certificates of ownership in any other corporation organized under the provisions of this section, or under the laws of any foreign country, or a colony or dependency thereof, or under the laws of any state, dependency or insular possession of the United States, but not

engaged in the general business of buying or selling goods, wares, merchandise or commodities in the United States, and not transacting business in the United States, except such as in the judgment of the Federal Reserve Board may be incidental to its international or foreign business: Provided, however, that, except with the approval of the Federal Reserve Board, no corporation organized hereunder shall invest in any one corporation an amount in excess of 10 per centum of its own capital and surplus, except in a corporation engaged in the business of banking, when 15 per centum of its capital and surplus may be so invested: Provided, further, that no corporation organized hereunder shall purchase, own, or hold stock or certificates of ownership in any other corporation organized hereunder or under the laws of any state which is in substantial competition therewith, or which holds stock or certificates of ownership in corporations which are in substantial competition with the purchasing corporation.

"Nothing contained herein shall prevent corporations organized hereunder from purchasing and holding stock in any corporation where such purchase shall be necessary to prevent a loss upon a debt previously contracted in good faith; and stock so purchased or acquired in corporations organized under this section shall within six months from such purchase be sold or disposed of at public or private sale unless the time to so dispose of same is extended by the Federal Reserve Board.

"No corporation organized under this section shall carry on any part of its business in the United States except such as, in the judgment of the Federal Reserve Board, shall be incidental to its international or foreign business. And, provided further, that except such as is incidental and preliminary to its organization no such corporation shall exercise any other powers conferred by this section until it has been duly authorized by the Federal Reserve Board to commence business as a corporation organized under the provisions of this section.

"No corporation organized under this section shall engage in commerce or trade in commodities except as specifically provided in this section, nor shall it either directly or indirectly control or fix or attempt to control or fix the price of any such commodities. The charter of any corporation violating this provision shall be subject to forfeiture in a manner hereinafter provided in this section. It shall be unlawful for any director, officer, agent, or employe of any such corporation to use or to conspire to use the credit, the funds, or the power of the corporation to fix or control the price of any such commodities, and any such person violating this provision shall be liable to a fine of not less than $1,000 and not exceeding $5,000 or imprisonment not less than one year and not exceeding five years or both, in the discretion of the court.

"No corporation shall be organized under the provisions of this section with a capital stock of less than $2,000,000, one quarter of which must be paid in before the corporation may be authorized to begin business, and the remainder of the capital stock of such corporation shall be paid in installments of at least ten percentum on the whole amount to which the corporation shall be limited as frequently as one installment at the end of each succeeding two months from the time of the commencement of its business operations, until the whole of the capital stock shall be paid in. The capital stock of any such corporation may be increased at any time, with the approval of the Federal Reserve Board, by a vote of two-thirds of its share holders or by unanimous consent in writing of the share holders without a meeting and without a formal vote, but any such increase of capital shall be fully paid in within ninety days after such approval; and may be reduced in like manner, provided that in no event shall it be less than two million dollars. No corporation, except as herein provided, shall during the time it shall continue its operations, withdraw or permit to be withdrawn, either in the form of dividends or otherwise, any portion of its capital. Any national banking association may invest in the stock of any corporation organized under the provisions of this section, but the aggregate amount of stock held in all corporations engaged in business of the kind described in this section and in Section 25 of the Federal Reserve Act as amended shall not exceed ten per centum of the subscribing bank's capital and surplus.

"A majority of the shares of the capital stock of any such corporation shall at all times be held and owned by citizens of the United States, by corporations the controlling interest in which is owned by citizens of the United States, chartered under the laws of the United States or of a state of the United States, or by firms or companies, the controlling interest in which is owned by citizens of the United States. The provisions of Section 8 of the Act approved October 15, 1914,

entitled "An Act to Supplement existing laws against unlawful restraints and monopolies and for other purposes," as amended by the Acts of May 15, 1916, and September 7, 1916, shall be construed to apply to the directors, other officers, agents, or employes of corporations organized under the provisions of this section: Provided, however, that nothing herein contained shall (1) prohibit any director or other officer, agent or employe of any member bank, who has procured the approval of the Federal Reserve Board from serving at the same time as a director or other officer, agent, or employe of any corporation organized under the provisions of this section in whose capital stock such member banks shall have invested; or (2) prohibit any director or other officer, agent, or employe of any corporation organized under the provisions of this section, who has procured the approval of the Federal Reserve Board, from serving at the same time as a director or other officer, agent or employe of any other corporation in whose capital stock such first mentioned corporation shall have invested under the provisions of this act.

"No member of the Federal Reserve Board shall be an officer or director of any corporation organized under the provisions of this section, or of any corporation engaged in similar business organized under the laws of any state, nor hold stock in any such corporation, and before entering upon his duties as a member of the Federal Reserve Board he shall certify under oath to the Secretary of the Treasury that he has complied with this requirement.

"Shareholders in any corporation organized under the provisions of this section shall be liable for the amount of their unpaid stock subscriptions. No such corporation shall become a member of any Federal Reserve Bank.

"Should any corporation organized hereunder violate or fail to comply with any of the provisions of this section, all of its rights, privileges, and franchises derived herefrom, may thereby be forfeited. Before any such corporation shall be declared dissolved, or its rights, privileges, and franchises forfeited, any noncompliance with, or violation of such laws, shall, however, be determined and adjudged, by a court of the United States of competent jurisdiction in a suit brought for that purpose in the district or territory in which the home office of such corporation is located, which suit shall be brought by the United States at the instance of the Federal Reserve Board or the Attorney General. Upon adjudication of such noncompliance or violation, each director and officer who participated in, or assented to, the illegal act or acts, shall be liable in his personal or individual capacity for all damages which the said corporation shall have sustained in consequence thereof. No dissolution shall take away or impair any remedy against the corporation, its stockholders, or officers for any liability or penalty previously incurred.

"Any such corporation may go into voluntary liquidation and be closed by a vote of its shareholders owning two-thirds of its stock.

"Whenever the Federal Reserve Board shall become satisfied of the insolvency of any such corporation, it may appoint a receiver who shall take possession of all of the property and assets of the corporation and exercise the same rights, privileges, powers, and authority with respect thereto as are now exercised by receivers of national banks appointed by the Comptroller of the Currency of the United States. Provided, however, that the assets of the corporation subject to the laws of other countries or jurisdictions shall be dealt with in accordance with the terms of such laws.

"Every corporation organized under the provisions of this section shall hold a meeting of its stockholders annually upon a date fixed in its bylaws, such meeting to be held at its home office in the United States. Every such corporation shall keep at its home office books containing the names of all stockholders thereof, and the names and addresses of all members of its board of directors, together with copies of all reports made by it to the Federal Reserve Board . Every such corporation shall make reports to the Federal Reserve Board at such times and in such form as it may require; and shall be subject to examination once a year and at such other times as may be deemed necessary by the Federal Reserve Board by examiners appointed by the Federal Reserve Board, the cost of such examinations, including the compensation of the examiners to be fixed by the Federal Reserve Board and to be paid by the corporation examined.

"The directors of any corporation organized under the provisions of this section may, semiannually, declare a dividend of so much of the net profits of the corporation as they shall judge expedient; but each corporation shall, before the declaration of a dividend carry one-tenth of its net profits of the

preceding half year to its surplus fund until the same shall amount to 20 per centum of its capital stock.

"Any corporation organized under the provisions of this section shall be subject to tax by the State within which its home office is located in the same manner and to the same extent as other corporations organized under the laws of that State which are transacting a similar character of business. The shares of stock in such corporation shall also be subject to tax as the personal property of the owners or holders thereof in the same manner and to the same extent as the shares of stock in similar State corporations: Provided, however, That such shares owned by nonresidents of any State shall be taxed only in the city or town in which the corporation's home office is located, and not elsewhere.

"Any corporation organized under the provisions of this section may at any time within the two years next previous to the date of the expiration of its corporate existence, by a vote of the shareholders owning two-thirds of its stock, apply to the Federal Reserve Board for its approval to extend the period of its corporate existence for a term of not more than twenty years, and upon certified approval of the Federal Reserve Board such corporation shall have its corporate existence for such extended period unless sooner dissolved by the act of the shareholders owning two-thirds of its stock, or by an act of Congress or unless its franchise becomes forfeited by some violation of law.

"Any bank or banking institution principally engaged in a foreign business incorporated by special law of any State or of the United States or organized under the general laws of any State or of the United States and having an unimpaired capital sufficient to entitle it to become a corporation under the provisions of this section may by the vote of the shareholders owning not less than two-thirds of the capital stock of such bank or banking association, with the approval of the Federal Reserve Board, be converted into a Federal corporation of the kind authorized by this section with any name approved by the Federal Reserve Board: Provided, however, That said conversion shall not be in contravention of the State law. In such case the articles of association and organization certificate may be executed by a majority of the directors of the bank or banking institution, and the certificate shall declare that the owners of at least two-thirds of the

capital stock have authorized the directors to make such certificate and to change or convert the bank or banking institution into a Federal corporation. A majority of the directors, after executing the articles of association and the organization certificate, shall have power to execute all other papers and to do whatever may be required to make its organization perfect and complete as a Federal corporation. The shares of any such corporation may continue to be for the same amount each as they were before the conversion, and the directors may continue to be directors of the corporation until others are elected or appointed in accordance with the provisions of this section. When the Federal Reserve Board has given to such corporation a certificate that the provisions of this section have been complied with, such corporation and all its stockholders, officers, and employes, shall have the same powers and privileges, and shall be subject to the same duties, liabilities, and regulations, in all respects, as shall have been prescribed by this section for corporations originally organized hereunder.

"Every officer, director, clerk, employee, or agent of any corporation organized under this section who embezzles, abstracts, or willfully misapplies any of the moneys, funds, credits, securities, evidences of indebtedness or assets of any character of such corporation; or who, without authority from the directors, issues or puts forth any certificate of deposit, draws any order or bill of exchange, makes any acceptance, assigns any note, bond, debenture, draft, bill of exchange, mortgage, judgment, or decree; or who makes any false entry in any book, report, or statement of such corporation with intent, in either case, to injure or defraud such corporation or any other company, body politic or corporate, or any individual person, or to deceive any officer of such corporation, the Federal Reserve Board, or any agent or examiner appointed to examine the affairs of any such corporation; and every receiver of any such corporation and every clerk or employee of such receiver who shall embezzle, abstract, or willfully misapply or wrongfully convert to his own use any moneys, funds, credits, or assets of any character which may come into his possession or under his control in the execution of his trust or the performance of the duties of his employment; and every such receiver or clerk or employee of such receiver who shall, with intent to injure or defraud any person, body

politic or corporate, or to deceive or mislead the Federal Reserve Board, or any agent or examiner appointed to examine the affairs of such receiver, shall make any false entry in any book, report, or record of any matter connected with the duties of such receiver; and every person who with like intent aids or abets any officer, director, clerk, employee, or agent of any corporation organized under this section, or receiver or clerk or employee of such receiver as aforesaid in any violation of this section, shall upon conviction thereof be imprisoned for not less than two years nor more than ten years, and may also be fined not more than $5,000, in the discretion of the court.

"Whoever being connected in any capacity with any corporation organized under this section represents in any way that the United States is liable for the payment of any bond or other obligation, or the interest thereon, issued or incurred by any corporation organized hereunder, or that the United States incurs any liability in respect of any act or omission of the corporation, shall be punished by a fine of not more than $10,000 and by imprisonment for not more than five years."

Passed the Senate September 9, 1919.

Attest: GEORGE A. SANDERSON, Secretary.

Passed the House of Representatives, November 7, 1919.

Attest: WM. TYLER PAGE, Clerk.

Making Investments In Foreign Countries

Our commercial relations with other foreign countries should not cease with our mere desire to sell them what we have got. We must show a sincere interest in the development of their own countries as well. There are many countries in the world—particularly in South America—that are still in a primitive stage of development. They need financial assistance for their internal improvements. They need highways, railroads, drainage systems, water works, development of water power sites, and harbor improvements. We have been urged to keep away from making these investments in foreign countries; we have been told that the Germans tried it, and that the Germans failed. But they failed because they tried unscrupulous methods. They tried to jam "Made-in-Germany" goods down the throats of the people they helped with their gold. However, the policy of making

investments seems to be a perfectly sound plan of cooperation. England's investments in Argentina, alone, are over two billion dollars, and yet without following the German method she has worked up the largest trade with Argentina of any other nation.

Treaties join us with other nations of the world politically. They should join us commercially as well. Proof of our sincerity in the fulfillment of our moral obligations should not be given in words alone. It should be interpreted in deeds. There are many countries today that need capital for bettering their condition in life; for internal improvements that will make their people more prosperous, and more independent of poverty. Prosperity at home depends very much on the prosperity of all classes. If the farmer has a poor crop, every other branch of industry will feel it. It is the same way with countries.

If the nations with whom we wish to increase our business remain undeveloped, their buying power will remain undeveloped. If we use our reserve gold to develop the forests and agriculture of Chile, the mines of Peru, and Bolivia, and the minerals of Ecuador a wave of prosperity would soon sweep that section of the globe and we would feel it. The people of those countries would have more money with which to buy our wares, and what is more important, we would enjoy their friendship and confidence which is necessary in our relations with small nations.

We must not go into the business of lending money to foreign nations with reckless abandon, however. We must proceed cautiously.

In connection with this point the "New York Journal of Commerce" in an editorial said:

"Almost every commercial nation in the world is today looking to the United States as the source of its supply of necessary capital for investment. East as well as West, the situation is the same. It is pointed out by representatives of each country that after-war conditions render self-dependence impossible and that a surplus of imports over exports is practically necessary if the national economic interest and well-being is to be preserved and its progress is to continue. There are a few parts of the earth where this demand is not felt and which expect and wish to go on selling us more than they import. Most of these regions are in South America and they represent sections of trade which are hardly more for the greater part, than of secondary desira-

bility. The opposite condition—that which calls for more imports from us than it can supply exports to us—is more generally characteristic. It is a situation of first importance to our future financial and investment policy as well as to our own trade.

"What the present international position of affairs really signifies is that the United States is offered practically its choice of the investments of the world. Countries which cannot pay us by return shipments of goods—as most cannot—would give us securities, a share of their future prospects and development. This is a natural outcome of the great exertions made by the European countries during the war. They cannot supply the fluid capital needed either by their own citizens or by the inhabitants of the newer countries, and the latter accordingly turn to us for direct shipments of goods which they will settle in securities since they cannot pay in return shipments of goods or money. Not all these calls can, however, be heeded. We have not the surplus wealth to satisfy them if we would, and we would or ought not to do so if we could, since such action would imply still greater sacrifice on the part of our consuming public at home, with higher prices and still greater industrial difficulties than must now be met. As things stand, we must pick and choose our fields of activity abroad, and must not only select desirable fields of investment in the several countries but must also discriminate between the countries themselves.

"The problem of international investment now presented is not, however, simple or susceptible of solution by ordinary methods. What it involves is really the selection of spheres of trade or commercial influence. We cannot control the trade of the world and ought not to try to do so even if it were possible. Foreign capital, in the future as in the past, will implant itself beside our own and compete with it. Our interest on investments and the eventual liquidation of our principal must be paid largely in the products of the countries to which we now entrust our surplus funds. Wise choice of fields of investments will consider, therefore, not only the immediate safety, security and productiveness of our funds, but also the probability that future political conditions in the countries where we place such funds will be stable, future commercial opportunities encouraging and future export trade likely to grow rather than to decline. We can easily place our loans or advances where they encounter

an unfriendly atmosphere, have to suffer from hostile or discouraging conditions, or be considered merely a temporary help instead of the foundation of a permanent business relationship. Investments of such a kind, even if scrupulously repaid, principal and interest, would be largely wasted. They would fail of attaining their chief international significance since they would not have laid the foundation for future business."

Foreign Investments Create Permanent Market

The virtue of making foreign investments lies in the fact that they lay the foundation for permanent and future business. If some South American country, for instance, borrows money with which to build a railroad, in all probability some American factory will furnish the rails, another the cars and locomotives, and still another the structural machinery. We make our investments in this form, and take in return the stocks and bonds of the railroad. Our home industries are influenced by the purchase of these foreign securities by the creation of a market for their products.

It is difficult, however, to induce American investors to place their money in foreign securities unless they are assured of the soundness of the loan. It is no easy matter to induce investors to place their money in isolated districts within the United States proper, let alone thousands of miles away in an unknown land with strange customs, different laws and commercial habits. Before the practice of making investments in foreign countries becomes a popular one, therefore, it will be necessary to show the American investor that it is just as simple and safe to loan out money in Argentina, or in South Africa as it is in any part of the United States. He must, however, have complete information from every angle so that the barrier of prejudice may be completely reduced. He must know something about the character of the people he is asked to do business with. He must know something about their daily habits of life, whether they are industrious, thrifty and honest. He must be fully informed as to the stability of the government and the sincerity of those who are at the head of it. When he has been given all this information then it is time to interest him in the matter of making proper investments in foreign countries.

The American people must become active in foreign fields. We are already leading the way in exportations. We should now help our customers financially if they need help. If we have the capital which would make industry hum in a country which has been apparently indifferent to industrial progress we should place it at the disposal of that country as long as it complies with the conditions. We can make our own country richer by making our neighbors richer. If we increase the purchasing power of the people about us, it will mean that the factories in the United States will have more to do.

CHAPTER XX

OUR MERCHANT MARINE

It has been said that a great merchant marine is not as necessary toward the building of a foreign trade as many suspect it to be. We hear people upon all sides declare that before the war when our merchant marine was practically a negligible quantity in comparison to the merchant fleets of other nations we were able to secure trade in foreign nations in spite of the handicap. There is some truth in this, of course. It is true that we shipped our merchandise in foreign holds without suffering from such practice, and it is also sound to declare that our foreign trade can keep on thriving without the assistance of a great merchant marine to carry our goods. It has been done before; naturally, it can be done again.

But times are changing. We are no longer a small nation around the corner taking care of occasional orders coming from a foreign land. We are now expanding. Our sign is out on the front door reading: "Uncle Sam, World Trader." We must render service to our new made customers. If we do not some other trader will. It was all very well for us to permit a great bulk of our merchandise to be carried in the ships of our competitors when our national policy did not justify greater activity in world commerce. But the war woke up the American people. Without a merchant fleet we found ourselves in the throes of the German submarine peril. For a time our business, without the use of the ships that were at our disposal before the war, was being shattered to pieces because we could not get tonnage in which to carry merchandise. We turned then to the logical program: to build our own ships, and we have been building them ever since.

The building up of a merchant marine is a step forward. Failure to maintain our shipping policy in one form or another —whether under private or Government direction—means a

step backward, regardless of what we were able to do without a merchant marine before the War broke out.

Europe's Advantage in Ship Tonnage

Before the war Europe enjoyed a great advantage over the United States in that she had direct steamship connections with all section of the world. Peoples from other sections of the globe chose to go to Europe because they received better transportation accommodations. There were faster steamers connecting European ports with those of other countries. Mail and freight steamers sailed from one port to the other more frequently. As a result the people from other continents preferred Europe rather than the United States. The frequency of sailings made matters very easy for the Englishman who wished to visit his branch office in the East Indies or in South America. The frequency of the mails made it possible for the European merchant to keep in close touch with his customers overseas. These advantages the American merchant did not enjoy, and the lack of them isolated him from the rest of the world.

A merchant marine should have a definite object. If our only reason for having a merchant marine is to carry our own merchandise to foreign countries then a merchant marine is not a necessary institution. We can revert back to the pre-war days, and permit other nations to carry our wares, and we can continue to develop our foreign business. But there is a definite object in having an American merchant marine. It must render service. America must establish fast lines between the principal ports of the world. She must send the mails to distant ports faster than they were ever sent before. She must have frequent sailings not only of freight steamers but mail and passenger vessels as well. If we are to co-operate with our enterprising foreign trade merchants we must be able to extend them the facilities of a modern up-to-date delivery and transportation system just as we have done within the borders of our own country. A merchant marine will do this.

Speaking before the Sixth National Foreign Trade Convention Frederick J. Koster, President of the San Francisco Chamber of Commerce said:

"We need in large measure our own national delivery system, and definite trade routes must be established, with large combination freight and passenger ships, with regular scheduled sailings by direct routes between important American and foreign ports in all directions, so that American shippers in any section of our country may have the benefit of through transportation to any important port in the world. This will mean that our railroad carriers will constitute a part of a transportation system that does not end at coasts. The time must come when, at every railroad station in our country, time-tables, schedules and information will be obtainable by any shipper concerning the route and the cost of carriage to every port in the world.

"These things are not only possible, but they are absolutely necessary, and they mean as much to the people of the interior of our country as to those who live nearer the coasts."

Spectacular Growth of Merchant Marine

The United States in 1914 was represented in the trade of the world by fifteen seagoing vessels with registers ranging above 1,000 tons.

According to figures of the United States Shipping Board issued in August 29, 1919, the United States boasted of 1,280 vessels. Before the war she was down at the bottom of the column, so to speak. The merchandise of American manufacturers and exporters was carried in the holds of foreign shipowners. Today it is being carried in holds owned by the United States to a great extent.

In June 1914, the total gross tonnage of ships flying the American flag, including coastwise shipping and the fleet operating on the Great Lakes, was 4,287,000 tons.

In June 1919, its gross tonnage was 11,983,000 tons, an increase of 278 per cent, chiefly in oceangoing vessels.

The steam tonnage under the American flag is now 24.8 per cent of the steam tonnage of the world. The figures are shown in the following tables:

The world steam tonnage of 100 gross tons and over on June 30, 1919, as reported by Lloyds was:

Number of vessels	24,386
Gross tonnage	47,897,000
Deadweight tonnage	71,845,000

American tonnage of 100 gross tons and over on June 30, 1919, including tonnage on Great Lakes, was:

Number of vessels.....3,687
Gross tonnage.....11,983,000
Deadweight tonnage 17,974,000

Per cent of world steam tonnage of 100 gross tons and over under United States flag, June 30, 1919:

Percent of number..... 15.1
Percent of tonnage..... 24.8

(These percentage figures include tonnage on the Great Lakes).

How Other Countries Suffered During War

The foregoing figures show how the United States improved her position in shipping during the war, and practically outdistanced all rivals in shipbuilding activities. Now let us turn for a moment to see what happened to Great Britain. Great Britain on August 1, 1914, possessed 18,691,000 gross tons of shipping, lost during the war 8,785,000 gross tons. At the signing of the armistice, November 11, 1918, her total tonnage was 15,006,000 gross tons.

Germany in 1914, possessed 5,135,000 tons of shipping. Her losses amounted to 2,700,000 tons. Her replacement by new construction and seizure of enemy ships was 950,000 tons. Her fleet at the time of the armistice amounted to 3,385,000 tons.

In 1914 Japan's shipping totalled 1,708,000 tons. She lost 275,000 tons. She built 885,000 tons and in November, 1918 possessed a total of 2,318,000 tons, showing a net gain of 610,000 tons. By the elimination of the German merchant fleet, Japan now stands third in the list of maritime nations.

The British colonies lost 275,000 tons of shipping during the war. They replaced 475,000 tons and increased their merchant fleet from 1,632,000 tons to 1,832,000 tons, a net gain of 200,000 tons.

Holland showed at the close of the war a net gain of 335,000 tons. Her total fleet increased from 1,472,000 to 1,807,000 tons. Her replacement was 560,000 tons.

Norway lost 175,000 tons out of 1,957,000 tons. Although she made a replacement of 775,000 tons she showed at the end of the war only 1,557,000 tons, incurring a net loss of 400 tons. Norway is now in seventh place as a maritime nation.

France had 1,923,000 tons in 1914. She lost 905,000 tons, replaced 425,000 tons. With a net loss of 480,000 tons she showed at the end of the war 1,143,000 tons of shipping.

Italy was a heavy loser. At the beginning of the war Italy boasted of 1,430,000 tons for her foreign commerce. Of this she lost 857,000 tons. Her replacement was 375,000 tons, and after the war she had only 930,000 tons with which to do business with foreign countries. Her total loss was 500,000 tons.

The total world tonnage in 1914 was 42,146,000 tons.

The total world losses during the war were 18,286,000 tons.

The total world replacement was 15,049,000 tons

The total world net loss was 3,237,000 tons.

Total tonnage of world, Nov., 1918, 28,309,000 tons.

The foregoing statistics very closely show how the United States stands today in the shipping industry with respect to the other nations of the world.

Ocean Routes That Vessels Follow

The American merchant marine is constantly adding new trade routes to its schedule and it is said that American ships may now be seen on 41 world routes.

The chief ones may be said to fall into the following divisions:

(A) *From the northeastern ports of the United States to the British Channel.*—This route connects the leading commercial nations of the globe, and over it passes not far from twenty per cent. of the total tonnage of the world. Skirting the United States seaboard to the Newfoundland Banks, it then curves across the Atlantic. Branching off at various points of this route, other lines touch ports of Europe from the Mediterranean to the Baltic, and ports of America from the Caribbean Sea to Canada.

(B) *From the eastern seaboard of the United States,* and from southern and western Europe, through the Mediterranean and the Suez Canal to China, Japan and the East Indies.

(C) *The South African route.*—Connecting Atlantic ports of America and Europe with the southern, eastern and western coasts of Africa, and with New Zealand and Australia. Sailing vessels also use this route for connections with the Orient and the East Indies, their inability to navigate the Red Sea barring the Suez Canal route to them.

(D) *The South American route,* from North Atlantic to South American, east and west coast, ports.

(E) *The route around South America,* connecting American and European Atlantic ports with the Pacific coast to the Americas.

(F) *The Gulf and Caribbean route,* affording access to the ports of the United States Gulf Coast, Mexico, Central America, the north coast of South America, and the West Indies.

(G) *The Pacific route,* connecting North America with Asia, over which an extensive trade with China, Japan and the Phillippines is carried on.

(H) *From the North American Pacific* coast to New Zealand, Australia and the South Sea islands.

(I) *The Panama Canal route,* the development of the use of which promises to be rapid and extensive with the relief from the abnormal conditions created by the war. European trade with the west coast of North and South America, and America's Atlantic and Gulf trade with the Pacific coast and the Orient, can be expected to move to an increasing degree by way of Panama.

History of American Merchant Marine

Briefly, we may trace the growth of our shipping back to the colonial period when Massachusetts owned about one seagoing vessel for every hundred inhabitants.

During the Revolution, the colonies unable to build a navy, through the lack of funds, commissioned hundreds of privateers, which, manned by able seamen, furnished an enviable chapter to American naval history. After the war, however, the merchant marine had a difficult struggle to keep alive. The situation became acute when a British order-in-council prohibited the purchase of American-made vessels. This order was issued in spite of the fact that America at that time could build ships at less cost than in England.

In 1789, the Constitutional Government immediately came to the rescue of the merchant marine. Congress passed a law providing for a reduction of 10 percent in the duties laid upon imports when carried by American ships. Another measure laid a tax of 6 cents on American-built ships if owned by Americans, 30 cents if owned by foreigners, and 50 cents if foreign-built and foreign-owned.

This legislation had an almost immediate effect. The registered tonnage in the foreign trade increased from 123,893 tons in 1789 to 346,254 in 1790, and in 1794 the registered tonnage reached a total of 438, 863 tons. The effect on the transportation of imports in American vessels was also encouraging. In 1789 the percentage of imports carried in American bottoms was 17.5 percent, 41 in 1790, 58 in 1791, 67 in 1792, 82 in 1793 and 91 in 1794.

Our merchant marine experienced a set-back again at the time of the French Revolution in 1800, when those in power in France had difficulties with the Administration in Washington. As a result French privateers broke loose in the West Indies, and began a bitter campaign against American vessels. For self protection, the Government established a navy department, and naval warfare immediately began on French ships that attacked our commerce. A series of American victories on the high seas soon convinced the French Government that it was a better policy to leave American shipping alone.

During the years preceding the War of 1812, there was no letup on attacks on American shipping. France and England established blockades aimed to injure American commerce. A British order-in-council forbade neutrals to trade with France, and France retaliated with orders of her own, all of which were aimed to cripple our growing merchant marine. England's claim to the right of impressment caused the seizure and confiscation of millions of dollars worth of American vessels and cargoes, and thousands of captured American seamen were forced to serve under the British flag against their will.

As a measure of self protection, the famous Embargo Act of December 22, 1807, was enacted. Instead of protecting and saving American commerce the Embargo, after being in force for 15 months, cost the United States more than $100,000,000, and nearly wiped out of existence the shipping and shipbuilding industries. Then the war came, and another series of brilliant victories by American armed merchant-men over British warships was recorded.

American Shipping Thrived in 1810

It is interesting to note that the tonnage of American vessels engaged in foreign trade in 1810—980,000 tons—was 100,000 tons greater than the paper figures for 1910, and not more than two-thirds of the total at this later date was engaged in foreign commerce.

The size of our merchant marine at this period encouraged Congress to the belief that it could be further developed by letting the bars down on some of the restrictions placed on the importation of merchandise to this country. Consequently, in 1815, Congress passed the Reciprocity Act removing tonnage and preferential duties laid upon imports, but it had little effect at the time as the nations that ordinarily would have taken advantage of this Act, were too busy developing their own business at home. However, when the Act was renewed in 1828, there was a general acceptance, as Europe was now in a better position to pay attention to its foreign commerce. Competition became very keen, and not to the advantage of American shipping.

The Era of Steam Navigation Arrives

In 1819, the Savannah, the first steam vessel to cross the Atlantic, inaugurated the era of the steamship, which has played such an important part in the history and development of commerce in these modern days. From that date the development of the steamer was rapid. Lines were established in all parts of Europe; steam vessels plyed along the Atlantic coast of the United States; lines were inaugurated to the West Indies. It was not until 1836, however, that the present great trans-Atlantic service had its beginning. In that year, Junius Smith, an American organized the British and American Steamship Navigation Company, and chartered a 700-ton steamer, the Sirius, for the first trip across the Atlantic. Then the Great Western Railroad, in the same year, sent the Great Western (1,320 tons) across the Atlantic on her initial trip.

But steam navigation did not pay in those days, so Samuel Cunard, of Halifax, conceived the idea of obtaining a subsidy

of $425,000 annually from the British government, and founded the Cunard Line which is operating to this day. The first ship of the line crossed in 1840. The subsidy was later increased to $850,000 and the western terminus was moved from Boston to New York, where it is still located. The British Government, recognizing almost instantly the value of aiding and cooperating with the shipping industry, extended aid to other lines running to the West Indies, South America, Australia and India.

In the meantime, the United States remained idle in the matter of assisting American shipping. The most encouraging step taken at this time was the establishment of a mail subsidy in 1845, resulting in the starting of two lines to Europe, on one of which was operated the finest steamer on the trans-Atlantic route. About the same time contracts were made with other companies operating lines to the West Indies and other points north of the Panama Canal. In 1855, Congress repealed the mail subsidy, and the American merchant marine again suffered a set-back. The trans-Atlantic lines were suspended and their business was taken over by British interests.

The final blow to American shipping was given during the Civil War, when foreign commerce decreased, insurance rates went up, wages soared, firemen and seamen went into the navy, and American capital was used to develop enterprises of a more assuring return. In the meantime, European nations began a keen competition in the carrying trade, with Great Britain in the lead. The leading maritime nations of that time were Great Britain, France, Germany, Belgium, Holland, Austria, Italy, Spain, Norway and Sweden. Registered tonnage in the United States steadily decreased until 1898, when it was 726,213 tons—the lowest for nearly 100 years.

Again Shipping Industry Is Revived

In 1910, it rose to 782,517 tons. The Panama Act of 1912 providing for the registry of foreign-built vessels not more than five years old, and the Shipping Act of 1914 removing this age limit caused a gain of over 600,000 tons to American shipping, and when the War broke out American shipping

once more had a splendid opportunity of leading the world. In 1915, there was passed the Seaman's bill calling for increased wages and other conditions on American vessels. American shipowners, protesting, declared that they could not successfully compete against foreign interests under these conditions, and consequently a number of companies sold out to foreign concerns.

However, the demands made upon shipping by the War were too great to consider obstacles, and from this date rapid strides were made in American shipping.

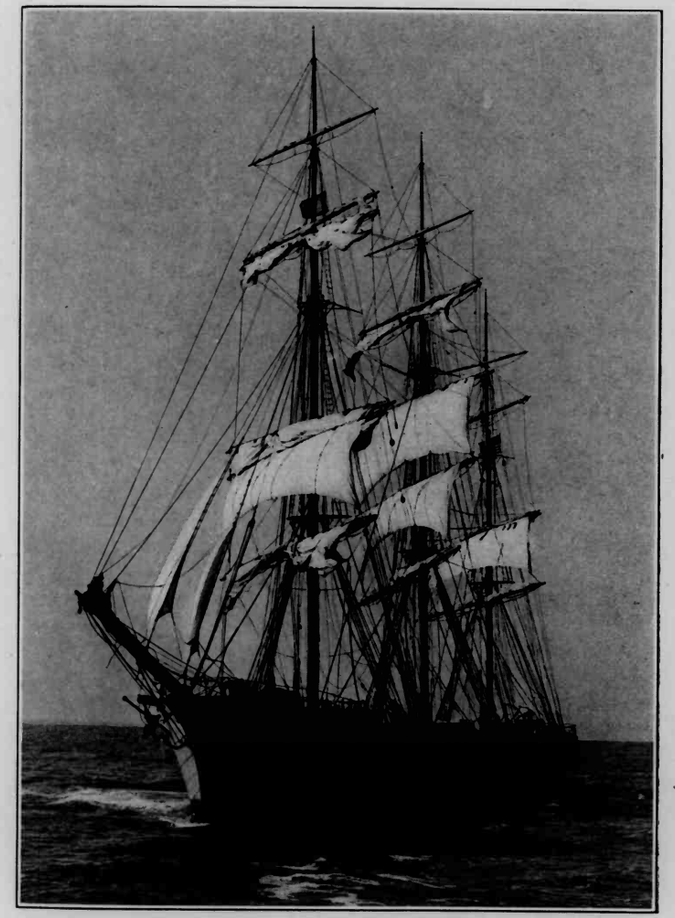
In 1916 a new era in the history of the American merchant marine was inaugurated with the creation of the Shipping Board with wide powers to operate a corporation to build, buy or lease vessels or merchant ships. In the language of the Third Annual Report of the United States Shipping Board the functions of that organization are described as follows:

"The United States Shipping Board served as the agency through which the problems of shipping control were handled, and the war powers of the United States in the field of transportation were administered. It regulated all the shipping of the country; repaired the seized German ships; recruited and trained officers and seamen for merchant vessels; supervised the chartering of all ships (foreign and domestic) from American ports; developed port facilities; handled large problems of labor control; and operated, directly or through private shipping agencies, a vast merchant marine."

The Shipping Board's activities in the movement of troops are described as follows:

"One of the accomplishments of America's participation in the World War was the movement of 2,000,000 troops overseas, with the elaborate supply of munitions, material, and food necessary for maintaining these troops at a high point of efficiency.

"In all its efforts for the acquisition and the creation of new tonnage, the Board's uppermost thought was needs of the Army. German vessels were taken over by the Board, and the huge task of repairing and putting them into Army service was quickly done; Dutch ships in our ports were acquired; many neutral vessels were chartered from Norway, Sweden, and Denmark; Japanese steamers were acquired in considerable number by purchase; all American steamers



Before the Civil War America led the maritime nations of the world. American clipper ships outsailed all others. The quantity and quality of the output of American shipyards was unexcelled. Before the Great War, however, American sea-going tonnage represented barely two per cent. of the world's total.

INTENTIONAL SECOND EXPOSURE

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available for the Nation's use were requisitioned; Lake ships were reconstructed and brought to the seaboard, and a very extensive shipbuilding program was launched.

"On November 1, 1918, the total tonnage in active service controlled by the United States Shipping Board, amounted to 1,196 vessels of 6,540,205 deadweight tons. This included requisitioned tonnage, time chartered neutral, and seized German vessels. Of this total, 598 vessels of 4,269,838 deadweight tonnage were in the direct service of the Army and Navy. These carried troops and supplies to European ports. This was the situation at the signing of the armistice on November 11, 1918."

The Shipping Board's authority to even restrict the transfer of American vessels to foreign registery without permission is contained in Section 9 of the Shipping Act of 1916, providing that when the United States is at war or during any national emergency, the existence of which is declared by proclamation of the President, it shall be unlawful, without first obtaining the approval of the Board, to sell, mortgage, or lease any vessel documented under the laws of the United States or to transfer any such vessel to a foreign registry or flag. On June 4, 1918, the measure was made more difficult by entirely withholding permission to American vessels of more than 100 tons gross registry to pass to any foreign flag.

On December 12, 1918, it was decided to authorize the sale of wooden vessels then under construction in American shipyards to foreign-owned American corporations and to foreigners without restriction, excepting to enemy ownership, and the transfer of all such documented tonnage to foreign-owned American corporations, providing such transfers were not inconsistent with national interests; also the sale of all documented wooden vessels to foreigners with the privilege to transfer to buyer's flag in exceptional cases only, after carefully considering each case on its merits. This policy was modified gradually until wooden vessels were permitted to pass to foreign registeries unless there appeared to be some good reason why the transfers should not be approved.

The Board's policy toward the disposal of American iron and steel tonnage to foreign flags was somewhat different. It says in the annual report:

"This marked relaxation of policy did not apply to the

transfer of American iron or steel tonnage to foreign flags, as to uncertainty of the international situation generally, the duty of the United States to provide proper transportation facilities for the return of American soldiers from overseas, and its moral obligation to carry food to the starving peoples of Europe made it manifestly unwise to part with the control of such desirable shipping."

The Shipping Board was authorized on July 18, 1918, by an amendment to the Shipping Act, to assume control over construction for foreign account. The amendment provided that when the United States is at war or when a national emergency has been proclaimed by the President, the construction or transfer of a vessel to foreign register was prohibited unless under approval of the Shipping Board. This amendment was rigidly enforced until the signing of the armistice, but on November 11, 1918, the Board lifted this ban and permitted unlimited construction of wooden tonnage for American or foreign account and steel tonnage for American account. On June 14, 1919, all restrictions were lifted when Chairman Hurley advised all shipyards in the United States that construction of steel ships for foreign account would be permitted upon presentation of all contracts to the Board.

Future of American Merchant Marine

As to a bright future for the American merchant marine there seems to be no doubt. The entire country is united in its opinion that there must be an American-owned merchant marine to carry the increased tonnage of merchandise, to blaze new water trails to all parts of the world, and to reawaken the enthusiasm of the old days for a commercial fleet flying the American flag. At this writing as the United States Shipping Board has discontinued its shipbuilding activities, and has cancelled its contracts with private shipbuilding yards, an encouraging feature of our shipbuilding industry is seen in the renewed vigor with which these private yards have gone after business. At the end of the year 1919, a most encouraging report of the activities of private shipyards was issued by the Atlantic Coast Shipbuilders' Association which said in part:

"American shipyards, instead of falling back as government contracts are suspended, cancelled or completed, are forging steadily ahead. Work for private accounts is replacing that which was being done for the Shipping Board and although a number of orders for American industries have been completed or withdrawn, the shipyards today are building over a quarter of a million gross tons more than they were a month ago and nearly half a million tons more than in October. The total now under construction, exclusive of all government work, is 805,000 gross tons, the equivalent of more than 1,200,000 deadweight tons of sea-going vessels.

"This steady advance is only one of the encouraging features in the development of the American shipbuilding industry. The shipbuilders, themselves, continue to show faith in the future of the American merchant marine by taking over contracts given up by the Shipping Board and will complete the partially constructed vessels in the expectation of finding a market for them. Conditions indicate that they are justified in the belief that there will be a continued demand for American tonnage.

America Capable of Quantity Production

"As matters stand today, the United States is the only nation in the world in a position to supply merchant vessels quickly and in quantity. The British shipyards are tied up with orders for two years to come. Other foreign countries are unable to supply the home demand and are seeking tonnage elsewhere. There is nowhere to place orders for prompt delivery but in the United States, and only the unfavorable position of the exchange and in the insistence upon long-term credits are keeping back a flood of foreign orders.

"The factor of speedy delivery is a powerful asset for American shipyards. Leading British shipbuilders who have visited the principal plants in the United States frankly admit that the output here is at the rate of two to three times that of the British yards. This means that, shipway for shipway, this country can produce double to treble the tonnage that Great Britain can. Furthermore, with the great rapidity of

turnover, the American shipbuilding industry is getting so much more service out of its plants that this factor will result in a marked lessening of production costs that will enable the United States to meet England's prices, which are at present lower because of cheaper labor.

That speed of production, due largely to the employment of more modern methods and the greater use of labor-saving devices than in Britain, has not lessened the quality of American-built ships, is plainly manifest. Since the Armistice, Lloyd's Register of Shipping, a British institution, has supervised the complete construction of nearly 600 steel steamers in United States yards and has rated every one of them 100-A1, the highest class given.

"The showing of the American yards is the more remarkable in that of 152 ships now being constructed for private account only one is on foreign order. At present, therefore, American industry is providing practically 100 per cent of the work being done, in spite of the fact that the Shipping Board is trying to dispose of hundreds of completed ships on liberal credit terms."

Government Activities in Shipping Industry

Thus, we have seen how American shipping is progressing by private enterprise, while at the same time there seems to be much uncertainty as to what the United States Shipping Board will do with the immense tonnage it has under its control. When the war ended the Board returned certain ships to their original owners; allocated others to different routes to be operated by private interests under certain conditions prescribed by the Board, and at the present writing an outright sale to American concerns, and to foreign interests under certain restrictions is in progress. What the future activities of the Shipping Board shall be rests with Congress. Measures are now under discussion in Washington for the preservation in some form or other of a vigorous government shipping policy. There appears to be considerable opposition to a government-owned and operated merchant marine. But while there is a wide divergence of

opinion in this regard, nevertheless, in justice to the Congress, it must be said that there is an evident determination in that body to develop our opportunities on the sea to the utmost in the future. It seems evident, therefore, that the bulk of our commerce will probably be carried in ships privately owned and operated as opposed to government ownership. The only thing that private interests ask of the government is the removal of certain restrictions that prevent them from successfully competing with foreign countries, and the enactment of legislation that will not only encourage the industry but to help it place itself on a permanent basis.

As a writer recently said: "It is generally recognized that the permanent development of our merchant marine can be best accomplished through private ownership and operation. Competition in the field of over-seas trade, in normal times on the economic basis of profit, from services rendered, demands a measure of individual initiative, freedom of judgment and breadth of experience that cannot be had under government control. It would seem clear that the only basis on which new capital may be made available for the development of our merchant marine is the prospect of earning reasonable returns on the investment. Before a broad field of investment can be made available to the shipping industry, however, the quality and security of ship mortgages, which are now subject to a variety of prior liens, must be improved and standardized. Furthermore, to assure American shipping a more nearly equal basis of competition with foreign shipping, some modification of restrictions imposed by our navigation laws, which tend to increase unduly the relative cost of operation, may well be considered."

With government assistance and cooperation, a privately owned and operated American merchant marine seems to be the logical policy at the present time. With changing conditions the world over, this is a time for individual initiative and enterprise and in which a cumbersome Government organization lacking the qualities required in such efforts as the present time demands, would be out of place.

How Vessels are Measured

The methods of measuring the capacity of a ship are confusing to many. In concluding this chapter it seems appropriate to give a brief explanation of these methods.

Ships are measured by three different methods.

(a) Displacement tonnage.

(b) Dead-weight tonnage.

(c) Register tonnage.

Displacement tonnage: The weight of the volume of water which the ship will displace when fully loaded with crew, coal for steaming purposes, supplies, etc., on board. This method is in use by the navies of the world, and assures accuracy and uniformity.

Dead-weight tonnage: The actual weight of the cargo which a merchant ship can transport. This method is adapted only to vessels that carry homogeneous bulk cargoes, and not to passenger vessels or vessels carrying miscellaneous cargoes.

Register tonnage: Expressed in terms of gross tonnage and net tonnage. Gross register tonnage represents the entire cubical space of a merchant vessel. It is obtained by dividing the total interior capacity of a ship by 100. Net register tonnage represents the remainder of the tonnage after the sum of exempted spaces is deducted from the gross tonnage. Exempted space includes officers' and crew quarters, engines, boilers, and machinery, etc. The net tonnage may be said to be the portion of the ship which produces income by its capacity to carry cargo and passengers.

CHAPTER XXI

HOW GOVERNMENT HELPS EXPORTER

The object of the Bureau of Foreign and Domestic Commerce of the United States Department of Commerce is to assist American manufacturers and exporters in the extension of their foreign trade. It has been said by American merchants that the British and the German governments do more for their manufacturers and exporters in the matter of co-operating to obtain foreign business than any other nations in the world; it is interesting to note, however, that the same complaints have been made by German and British interests against their own governments in which the United States has been held up as an example to the governing authorities.

There is no question that the United States government has made a commendable start in extending its activities to foreign countries where competent officials may gather data and information for American industry that is beginning to realize more and more than ever before the necessity of extending operations to all corners of the globe. The service that the government offers is extensive. It compiles reports from all sections of the world. It sends out special trade commissioners to obtain specific information regarding commercial conditions and opportunities for American merchants. It maintains commercial attachés in the principal trade centers of the world. . Through the Consular service it is able to supply American manufacturers with constant reports of commercial conditions and other important information for the use of American shippers.

Perhaps, the most important service rendered by the Bureau of Foreign and Domestic Commerce is that through Commerce Reports, a small daily bulletin compiled from reports sent in from all sections of the world by consular agents and special investigators. Names and addresses of foreign concerns desiring to make connections with American manufacturers and exporters may be obtained through Commerce Reports. This bulletin is

very complete in the information that it gives to those interested. The latest news regarding the developments in industry and foreign trade may be found here. Many articles appearing in this bulletin are general in character, but often valuable contributions dealing with specific lines of goods may be found therein.

The bureau also issues annual reports compiled by consular officers, which are supplements to Commerce Reports and which contain reviews of the trade and industry of the consular districts during the year. Manufacturers and exporters who subscribe to this branch of the government service value these supplements highly as they show the general commercial conditions as well as the statistics of imports and exports of the particular articles that enter into the foreign commerce of the districts discussed. These statistics often serve as a basis for American shippers in arriving at a decision to enter a certain field with a certain line of merchandise.

Reports of Specified Products Valuable

A very valuable service is rendered in the distribution of monographs on foreign markets for specified products showing the trade conditions, the extent of foreign competition, and the methods of entering the market. These reports are prepared by experts in their line who devote months of study to the subject in hand. Upon publication these reports are placed on sale at nominal cost and are very much sought by those interested in the specific lines in which they deal. An idea of the subject covered in these reports may be obtained by the following titles of a number of monograms now ready for distribution: "Cotton Goods in Latin-America," "Shoe and Leather Trade in the United Kingdom," "Shoe and Leather Trade in Germany," "Cotton Goods in Russia," "Philippine Market for American Lumber," "Commercial Organizations in Switzerland," "Central America as an Export Field," etc.

Concerning the methods of obtaining trade information a bulletin of the bureau has this to say: "The greater part of the information is obtained from three sources: the Consular Service, which includes more than 300 consuls and many consular agents;

the Trade Commissioners, who study special industries in specific countries; and the Commercial Attaches, who are stationed in the principal countries and give all their time to commercial investigations. In addition, the statistics of American trade with foreign countries are collected at American customhouses in cooperation with the Treasury Department.

"Information from all these sources is forwarded to Washington and is distributed chiefly through the Bureau's publications, which may be classified as regular, or periodical, publications and as special bulletins or monographs. These are for sale by the District and Cooperative Offices of the Bureau and by the Superintendent of Documents, Government Printing Office, Washington, D. C."

Regular Publications of the Bureau

The regular publications of the Bureau are the Commerce Reports which are mailed daily; the quarterly volume with index and the quarterly index.

The Monthly Summary of Commerce and Finance is sold for a nominal yearly subscription.

The Quarterly statement contains statistics of imported merchandise entered for consumption and is sold for a nominal yearly subscription.

The Statistical Abstract is an annual publication.

Commerce and Navigation is an annual publication containing such information as imports of merchandise by articles and countries; exports of domestic merchandise by articles and countries; imports entered for consumption, etc.

The Chief of the Bureau of Foreign and Domestic Commerce issues a valuable annual report.

Among the free publications is one called Exports of Domestic breadstuffs, cottonseed oil, etc., a monthly bulletin as well as a monthly report of total values of imports and exports.

Special Bulletins of the Bureau

The special bulletins of the Bureau are divided into five groups: (a) Special Agent Series, which comprise monographs on special industries and special phases of commerce, prepared

by the commercial agents or trade commissioners; (b) Special Consular Reports; (c) Miscellaneous Series; (d) Foreign Tariff Series; and (e) Industrial Standards.

The last named is a new series recently undertaken by the Bureau. It consists of standard specifications for industrial materials that have been prepared by the Government and by technical societies and other organizations, and accurate and reliable translations of them into foreign languages. The purpose of these publications is to facilitate commerce between the United States and foreign countries by translating and making available standard specifications for material of various kinds, commercially acceptable and representing practice. Sixty-two standard specifications of the American Society for Testing Materials have been translated into Spanish and are printed with the Spanish and English texts on facing pages.

Bureau Serves as Information Depot

Additional information of value to the American manufacturer or exporter on subjects of general importance may be obtained by applying to the branches of the Bureau located in some of the principal cities of the United States. With respect to this service a recent pamphlet of the Bureau has this to say:

"By applying to the Bureau you can get tariff rates in force in foreign countries, which, in conjunction with freight rates, will enable you to determine the price at which your goods can be sold. It is particularly important to know this if you are competing with a native product, or if you are shipping to countries which give preferential rates of duties to the goods of other countries. It is also important that you know the basis on which duties are levied, as tariff rates have a direct and vital bearing upon problems of packing and shipping. In some countries, if several articles are packed in one container, the entire shipment will carry the highest rate that applies to any one article in the lot. In other countries the duties are levied on the gross weight, and it is important to make the packing as light as is consistent with safe transit. In still other countries duties are levied on the net weight, which includes the article itself and the immediate container in which the article is placed, but not the weight of the outside case or crate.

"In writing for information in regard to foreign rates of duty,

it is necessary to give a detailed description of the article involved and to specify the particular country or countries for which tariff information is desired. It is advisable to confine inquiries to information needed immediately rather than to ask for comprehensive statements for future reference, which may be out of date by the time they are used.

"You may obtain information regarding license fees for commercial travelers and customs treatment of their samples. These topics should be carefully considered if you contemplate sending a traveling representative to foreign countries.

"You can get consular regulations which prescribe the number of copies of the bill of lading that must be transmitted for the use of the customs, the number of consular invoices that must be prepared, and the way in which they must be prepared.

"You can get information regarding international revenue taxes that are imposed in foreign countries, so that you may know whether your product will be subject to an additional tax after it enters the country.

"Information is available on foreign trade-marks and patents, so that you may protect your patents and trade-marks in foreign countries.

"You can obtain information on foreign export embargoes, import prohibitions and restrictions, and black lists. Knowledge of these regulations is especially important at present. (This refers to war-time conditions.)"

How District Offices May Help Exporter

The Bureau also explains in a pamphlet how the district offices may help those desiring information on foreign trade. It says:

"District offices of the Bureau of Foreign and Domestic Commerce were established to expedite the distribution of commercial information to ascertain the needs of the business men of the country, and to establish closer co-operation between government and private agencies interested in the extension of foreign trade.

"Each district office has on file confidential information regarding trade opportunities, lists of importers in foreign countries, trade directories, etc.

"Each district office receives specifications, samples, exhibits,

etc., for a limited time, and these may be inspected by interested persons.

"Each district office arranges conferences between exporters and consular officers and commercial agents when the latter visit district offices during leave absence in this country.

"Each district office makes a special study of the needs of the district in which it is located, and the Bureau endeavors to equip each of its district offices to meet the demands peculiar to their fields.

"Each district office keeps on file all publications of the Bureau, as well as publications of other branches of the government, that will be of assistance to American exporters. Each office acts as sales agent for the Superintendent of Documents, Washington, D. C., for the sale of the Bureau's publications."

How to Use Trade Opportunity Service

Mention has already been made of the Trade Opportunity Service that the Bureau offers to exporters. It should be noted that the names and addresses of the foreign importers desiring the goods are not given in the Commerce Reports but are furnished to bona fide American firms upon application to the Bureau at Washington or any of the district offices.

In applying for such names and addresses the inquirer need refer only to the number of the announcement as published in the Commerce Reports. A separate applicationn on the firm's letterhead should be made for each "opportunity" desired.

When the confidential information furnished regarding an opportunity for sales in foreign countries is too detailed to be given in a "trade opportunity" announcement, it is embodied in a confidential bulletin or circular, which is sent to firms that are listed in the Exporters' Index maintained by the Bureau and its district offices.

Those listed on the Exporters' Index receive the following service:

"Confidential circulars and bulletins of various sorts relating to inquirers' particular lines.

"The calling of firm's attention to special articles in Commerce Reports containing requests for special catalogues of firm's line, or relating to markets for firm's product.

Firm is advised regarding trade opportunities for the sale of its product.

Firm's name is furnished to foreign inquirers asking for American sources of merchandise and supplies.

Firms are given prompt notice of every special bulletin published by the Bureau.

Firms desiring to be recorded on the Exporters' Index must fill out a form, stating the nature of its business and the kinds of goods manufactured or exported. These forms to be received at the district offices.

Branch offices of the bureau

The bureau operates branch offices for the convenience of exporters in the following cities:

New York, 734 Custom House; Chicago, 504 Federal Building; Boston, 1801 Custom House; St. Louis, 402 Third National Bank Building; New Orleans, 1020 Hibernia Bank Building; San Francisco, 307 Custom House; Seattle, 848 Henry Building.

Besides these branches the Bureau maintains co-operative offices in the following places:

Cleveland Chamber of Commerce; Philadelphia Chamber of Commerce; Cincinnati Chamber of Commerce; Los Angeles Chamber of Commerce; Chattanooga, Southern Railway System, South American Agent; Portland (Oregon) Chamber of Commerce; Dayton, Ohio, Greater Dayton Association, and the Southern Railway, Cincinnati, 96 Ingalls Building.

American Consuls as Trade Representatives

American Consuls are government officials serving for the benefit of American commerce primarily. They are not supposed to serve any particular individual or set of individuals. The information they obtain as to commerce and trade in foreign countries is for all the people that are interested in it. It has already been stated how American consuls send in regular reports to the Bureau of Foreign and Domestic Commerce which are later published in Commerce Reports and other publications of the department. This is an invaluable service which private enterprise would find difficult to duplicate.

Consuls are supposed to remain in certain fields for a term

the length of which is determined by the authorities in Washington. Sometimes consuls are moved about from one country to the other with reckless abandon. The writer knows of one veteran in the Consular Service who has been in seven different countries within the last seven years. The moment he became acquainted with the customs and practices of the people of one country he was transferred to another country where he had to begin all over. The language he had learned in the former country was of no use to him in the latter. Why these constant transfers are made is a question which the authorities in Washington alone can answer. There is no question that it cripples the service and that it reduces efficiency. It takes time to learn the customs, language, the laws and the modes of living of the people of a foreign country, and this is essential when consuls are expected to be thoroughly capable of rendering comprehensive and authentic reports on business conditions for the study of American business men.

Another thing that has been the subject of considerable complaint is the poor pay that is given the members of our Consular service. Poor pay naturally attracts applicants of an undesirable standard as a rule, but it must be said in justice to our present consular staff that the majority of them are men of the highest type who have performed admirable service in spite of the handicaps they have been put to because of the inadequate pay they receive. This important point was touched upon by Edward Prizer, President of the Vacuum Oil Company in an address before the Sixth National Foreign Trade Convention when he said:

"Another demand business should make on the government is that our consular service should become a real and definite annex of foreign trade effort.

"When I first came in contact with our foreign consuls some thirty years ago, I found they regarded themselves as the favorites of political circumstance; they knew their positions were not permanent and took more interest in social than in business activities. Some of them really seemed to regard insistence on help in solving commercial problems as an interruption of their leisure.

"There has been a great improvement since then, for during the past fifteen years the personnel of our consular service has been mainly comprised of substantial, educated and well-informed men, who take a great interest in their work, and I take pleasure

in stating that our company's organizations throughout the world have found these men willing and useful.

"We should insistently demand that our consular service should be in every particular so organized as relates to permanence of employment, compensation and promotion, that entrance into it will be zealously sought by our young men of greatest capability and promise.

"One of the real deterents to young men of this type seeking consularships is the financial consideration—the pay is entirely inadequate.

"American consuls cannot be effective in a foreign country unless they can meet influential people on an equality, instead of being compelled, as is now frequently the case because of financial reasons, to live as an outsider from social life and merely a sojourner in the land where they are supposed to be efficient representatives of a rich and powerful nation.

"They should not be required to meet unavoidable living expenses out of personal income, but should be so paid that they are in a position to meet on an equality influential government officials and the heads of industrial and merchandising firms and representative citizens in the country to which they are accredited.

"The British government is fully alive to the need of proper and well-paid consular representation, for it has just announced that it proposes to expend annually 1,000,000 pounds for consuls and an additional quarter of a million pounds for commercial attaches.

"Our consular service should be safeguarded from the blighting shadow of political control or preference, and there should run through it to the remotest sections of the world the certainty that capability is prized and that merit will be recognized and rewarded. It should be trained in business conditions and methods, and encouraged to be constantly alert to business opportunities for American industry. Periodical consular reports of a general character, while interesting and helpful, are not alone sufficient. There must be concreteness of information and directness of support.

"A gentleman told me that at a certain South American port he found great difficulty in obtaining any really useful information to assist his sales effort; so almost in despair, he appealed to the German consul ,who courteously aided him in his dilemma. He found this consul had prepared a complete card index of commercial conditions. It covered not only the usual statistics of

imports, consumption, etc., but went into such intimate details as to the standing and credit of individual merchants, lines of products they already handled, or might be induced to carry. It was his practice to send to his government at home all this information which was available for the German exporter. What was being done by him at this port was doubtless being duplicated at hundreds of other centres of commercial opportunity.

"We should demand that our consular service be run on business lines and principles, and controlled by executives of business vision and grasp; and then that the politicians be forced to keep their hands off whether an administration changes or continues."

How to Make Use of Consular Service

Don't write to the consul in a foreign country for information unless you have made inquiry at the Bureau of Foreign and Domestic Commerce in any one of its branches in this country. Perhaps the information you may desire is already gathered for you. The Bureau has thousands of reports on business and commercial conditions in foreign countries of a general character; it has also a great number of reports of a specific nature which have been prepared by trade commissioners who are experts in the lines they were sent out to make reports on. Perhaps one of these reports is just the thing you may need, so do not write to the consul until you have first tried the Bureau.

Letters should not be addressed to consuls personally. The address should be the American Consul or the American Consul General. This is necessary in order to avoid delay in receiving replies to inquiries. The consul may be away on his vacation and the letter, if addressed to him personally, will not be opened until he returns. Also, when communicating with consuls the writer should be sure that sufficient postage is placed on the envelope otherwise the consul must pay double the amount due for such negligence. No return postage is necessary for letters requiring answers as all answers are made through the Department of State.

Emphasis must also be made on the fact that consuls are not in the employ of private individuals but in the service of the United States Government. In this capacity they cannot be expected to make sales for manufacturers or to show samples to prospective customers in an effort to obtain orders. They are

prohibited from doing this. Consuls, however, may distribute catalogues for manufacturers without prejudicing their official position. This is a form of co-operation that they are only too willing to extend, but very few manufacturers take advantage of the opportunity to advertise their merchandise by this method.

Above all, it must be remembered that consuls are very busy men. They have a great many duties to perform; they have reports to make; they have a routine to follow almost every day, and they must not be disturbed by needless inquiries or requests. The consular service is a great machinery for the development of American business abroad. Its proper handling will bring the desired results.

Other sources of Export Information

It must be remembered that there are other sources of information besides the Bureau of Foreign and Domestic Commerce, where American manufacturers and exporters may obtain data in connection with foreign trade. These sources are gradually growing. There are at present in the United States many organizations directly and exclusively interested in the development of trade in foreign countries. Their chief functions are to obtain reliable information as to opportunities, conditions, credits, legislation, etc. Other organizations, more directly interested in domestic affairs, have established foreign trade departments whose functions are to keep their members in close touch with conditions abroad.

The following organizations are of invaluable service to those interested in foreign trade:

The National Foreign Trade Council, New York City.

The American Manufacturers' Export Association, New York City.

The Philadelphia Commercial Museum, Philadelphia.

The United States Chamber of Commerce, Washington, D. C.

The Pan-American Union, Washington, D. C.

Chambers of Commerce in the various cities of the United States added foreign trade departments to enable their members to obtain information from foreign fields. Some of these organizations are:

The Chamber of Commerce of New York; the Chambers of Commerce of San Francisco, Los Angeles, and San Diego, California; Portland, Oregon; Seattle, Washington; St. Louis, Missouri; Detroit, Michigan; Cleveland, Ohio; New Orleans, Louisiana; Atlanta, Georgia, etc.

Then there are the Merchant's Association of New York City, the Pittsburgh Foreign Trade Commission, the Massachusetts State Industrial Commission, Boston, the Chicago Association of Commerce, and numerous other organizations of a similar character that devote considerable attention to foreign trade. The growing number of combination Chambers of Commerce and associations in this country should not be overlooked. For instance, there is an Argentine-American Chamber of Commerec in New York City; a Chilian-American commercial association in the same city. Similar organizations interested in trade with various European and Far Eastern countries are rapidly taking shape.

Certain foreign countries are following the example of the United States in sending commercial attaches to foreign fields. In New York City there may be found commercial representatives from European and Latin American countries from whom valuable information may be obtained.

Trade Journals Must Not Be Overlooked

Manufacturers and exporters should subscribe to all reliable trade publications. In these may be found invaluable information dealing with methods, changes, markets, conditions, etc.

Among these journals may be mentioned

- The World's Markets
- Export Trade
- Exporters and Importers Journal
- The Exporters Review
- The Americas.
- Pacific Ports.
- The American Export Monthly.
- Pan-Pacific.
- Commercial America Asia.
- The Nation's Business
- Weekly Export Bulletin
- Commerce and Finance

There are a few magazines whose functions are not to exclusively cover the foreign field, but who occasionally publish articles of importance to exporters. Among these may be mentioned "Printers' Ink," "The World's Work," "System," etc.

Book Exporters Should Have

An exporter should have a well equipped library. There are many directories and encyclopedias now on the market that should be on the shelves of a well regulated export office. Among these are:

The Stateman's Year Book, Macmillan Co. Annual. New York.

Exporters' Encyclopedia . Exporters' Encyclopedia Co. Annual. New York.

American Export Trade Directory. Johnson Export Publishing Co., New York.

Customs Tariffs of the World. Kelly Publishing Co., New York.

A few choice books on Foreign Trade like the following should also be included:

Practical Exporting. Hough.

Exporting to Latin America. Filsinger.

Principles of Foreign Trade. Savay.

American Methods in Foreign Trade. Vedder.

Business Training Corporation (Set 10 volumes).

Selling Latin America. Aughinbaugh.

Ocean Traffic and Trade. Hough.

History of Foreign and Domestic Commerce of United States. Johnson.

Commerce and Industry. Smith.

Trade of the World. Whelpley.

The Theory and Practice of International Commerce. Wolfe.

Official Report of National Foreign Trade Council.

Nor should a good atlas be overlooked for the library. Some of these are:

Atlas of the World's Commerce. Bartholomew.

Geographical Manual and Atlas. Mawson.

To complete the list, all the publications of the Bureau of Foreign and Domestic Commerce should be included.

Chapter XXII

THE WORLD'S MARKETS

The world is preparing for peace. The Great War hardly over, the nations of the world are hastening as fast as possible the readjustment that comes after the conflict. They are taking stock of the future. The adjusters have not yet finished their estimates of the losses that the great catastrophe produced. The money cost alone has been over $100,000,000,000. The human cost has been enormous. Millions of men have been slain; women and children have lost their lives by the thousands. Entire countries have been laid waste. Production has been stopped. Old nations have lost their former positions; new nations have sprung up; old trade routes have been abandoned, and new ones have grown up in their stead.

In this period of readjustment the United States is taking an important part. This country is helping Europe get back on her feet. We are financing big enterprises over there; we are sending foodstuffs and other materials of absolute necessity. Those nations, for years to come, will require material assistance in one form or another.

As our trade has expanded to other sections of the globe, we have learned that Europe is not alone in her need of foodstuffs and manufactured materials as well as capital from outside sources. There is still considerable development work to be undertaken in other continents. Mineral resources of unlimited value are yet to be tapped; transportation facilities such as the building of railroads, highways, canals, etc., are needed in the backward countries. Where American concerns are to participate in this kind of work, the development of trade is sure to follow. We are capable of manufacturing all the tools necessary for such enterprises, and one can readily see the importance of participating in these vast improvements.

The use of modern methods of farming, of business, and

of industry, is also helping to improve the markets in foreign countries for American manufactured articles. We are now selling farm tractors in places where only the most primitive methods had been used in the past. We are selling typewriters to countries where such an instrument has not been as generally adopted for business purposes as in the United States. We are also furnishing machinery for various industries to replace the old and antequated processes of manufacture. We are sending to the four corners of the earth articles aimed to increase the comfort of those who buy from us. We are introducing American-made automobiles in every country. The popularity of American manufactures is apparent.

The aim of this chapter is to review as briefly as possible, the markets in foreign countries available to manufacturers and exporters. Obviously, a detailed description of conditions in foreign countries is impossible in a chapter, but, perhaps, a brief summary of the available markets will be sufficient to enable the reader to obtain a general idea of the immensity of the field in which the manufacturer and exporter can operate.

A study of the market divisions follows. For the purposes of this study Latin-America will be grouped in the following manner:

Latin America

Groupe I.
- (a) Mexico.
- (b) The West Indies.
- (c) Central America.
- (d) Colombia.
- (e) Venezuela.
- (f) The Guianas.
- (g) Panama.

Group II.
- (a) Ecuador.
- (b) Peru.
- (c) Bolivia.
- (d) Chile.

Group III.
- (a) Argentina.
- (b) Uruguay.
- (c) Paraguay.

Group IV.
- (a) Brazil.

Mexico

Mexico ranks fifth among the nations of the western hemisphere in size. It follows Canada, the United States, Brazil and Argentina. In population it ranks third, following the

United States and Brazil. The total area of the country is about 767,000 square miles, and its population in 1910 was 15,063,207. Of these 20 per cent are white, 37 per cent Indian, and 43 per cent of mixed blood. There are over 100,000 foreigners in the country, 20,000 of whom are Spaniards and 30,000 Americans.

The climate of the country may be divided into three zones which cover three ascending geographical regions. The lowest is comprised of the coast region embracing the eastern and western coastal plains which reach an altitude of 3,000 feet. Above this altitude and up to 6,000 feet the second or middle zone is located. The climate here is mild. Above the 6,000-foot altitude is found the tierra fria, or cold land. During the summer in the lower zone the heat is intense and unhealthful, and the only measure of relief may be found near the coasts where the ocean breezes are encountered. The mean annual temperature in this zone is from 75 to 85 degrees.

The most delightful region of all is the middle zone which enjoys a temperate climate. There is very little humidity here; the air is dry, and cool, and the climate is healthful. The mean annual temperature ranges from 60 to 77 degrees. The cold zone covering altitudes from 6,000 to 9,000 feet has a wide range of temperature. In the higher regions there is a wet and dry season. The wet season begins in June and lasts until October, although it is not continuous.

Mexico is one of the richest countries in minerals in the world. For the last four centuries she has produced nearly one-half of the world's silver, and now she is producing about one-third of the world's total output.

Metals found in Mexico are platinum, gold, silver, copper, zinc, lead, iron, mercury, manganese, antimony, tin, bismuth, and tellurium. An idea of Mexico's mineral production may be gained from the following table showing the value of the most important metals expressed in terms of pesos (about 50 cents):

	Pesos.
Gold	48,428,841
Silver	76,405,754
Copper	26,172,214
Lead	6,808,465
Coal (estimate)	4,400,000

	Pesos.
Petroleum (estimate)	2,800,000
Iron (estimate)	1,200,000
Zinc (estimate)	1,150,000

Mexico's agricultural resources are far from being fully developed. Over 600,000 square miles of the entire country are capable of being turned into great producing regions. Lack of transportation, antique methods of farming, and the scarcity of farm machinery have kept Mexico back in agriculture, but the outlook is encouraging as the government is now lending its aid to the industry, and the importation of farm machinery from the United States is increasing. With the development of transportation, Mexico's agricultural riches should be enormous. Mexico's principal agricultural products are maize, cotton, henequen, wheat, sugar and molasses, spirits, coffee, and beans. Encouragement is offered by the government for the growing of tobacco, rubber, cacao, chicle and vanilla. . The vanilla of Mexio is of a very high quality and has a large demand in foreign countries.

The most important industries of the country are the manufacture of textiles, sugar, alcohol, and cigars and cigarettes. Ten years ago there were 142 cotton factories in the country.

The oil industry in the Tampico district is by far one of the most important of all Mexico's resources. Mexico is next to the United States in the production of crude petroleum.

Principal exports from the United States to Mexico are coal, lumber, cotton, boots and shoes, automobiles, electrical machinery, steel rails, structural steel, electrical instruments, pipes and fittings, meat products, cottonseed oil.

Statistics of Mexico's foreign commerce for a period of nine years follow:

Year.	Imports.	Exports.
1910	$ 97,433,000	$130,023,000
1911	102,937,000	146,877,000
1912	91,331,000	148,994,000
1913	97,886,000	150,203,000
1914	72,000,000	150,000,000
1915	63,000,000	126,000,000
1916	83,000,000	158,000,000

Year.	Imports.	Exports.
1917.....	138,000,000	182,000,000
1918.....	192,000,000	228,000,000

When peace is completely restored in Mexico she will resume her old place as one of Uncle Sam's biggest customers. Millions of dollars of American capital are invested in the Southern Republic, thousands of American citizens are living in the country and only because of the unsettled state of her politics has Mexico failed to resume her old position as a great buyer of American goods. In spite of troubled conditions statistics show that for the seven months ending in July, 1919, Mexico purchased $75,568,000 worth of merchandise from the United States which is more than the value of the goods sold to Brazil or Chili.

The West Indies

The total area of the West Indies is estimated at 100,000 square miles; it has a population of about 9,000,000. The West Indies consist of the great archipelago extending from Florida to the northern coast of South America. The islands include the Bahamas, Greater Antilles, Lesser Antilles, including the Leeward Islands and the Windward and Caribee Islands, the Trinidad-Tobago group, and the Keys or coral reefs.

The Greater Antilles include the islands of Cuba, Porto Rico, Haiti and Jamaica.

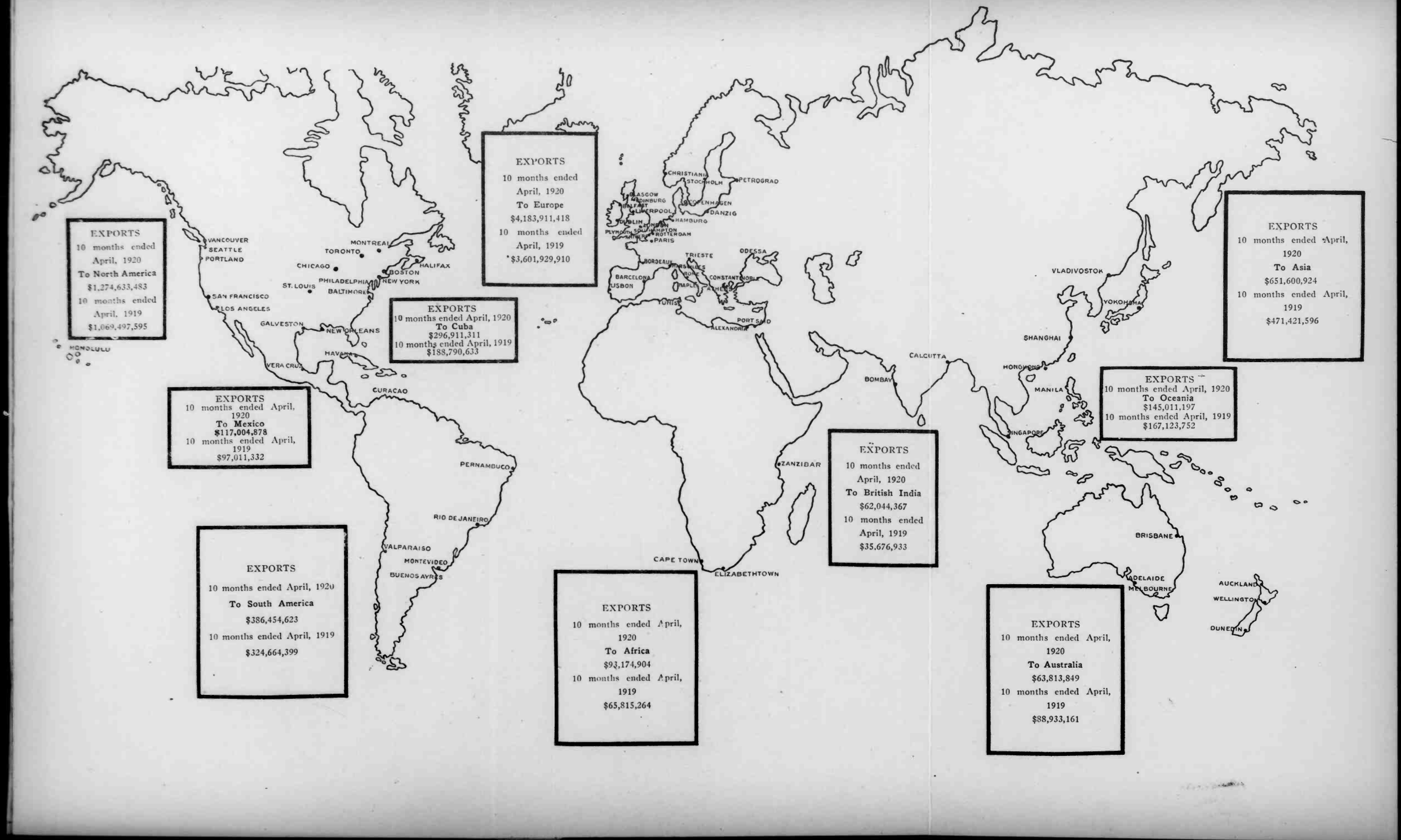
The Bahamas include 670 islands and islets, with a total population of 65,000.

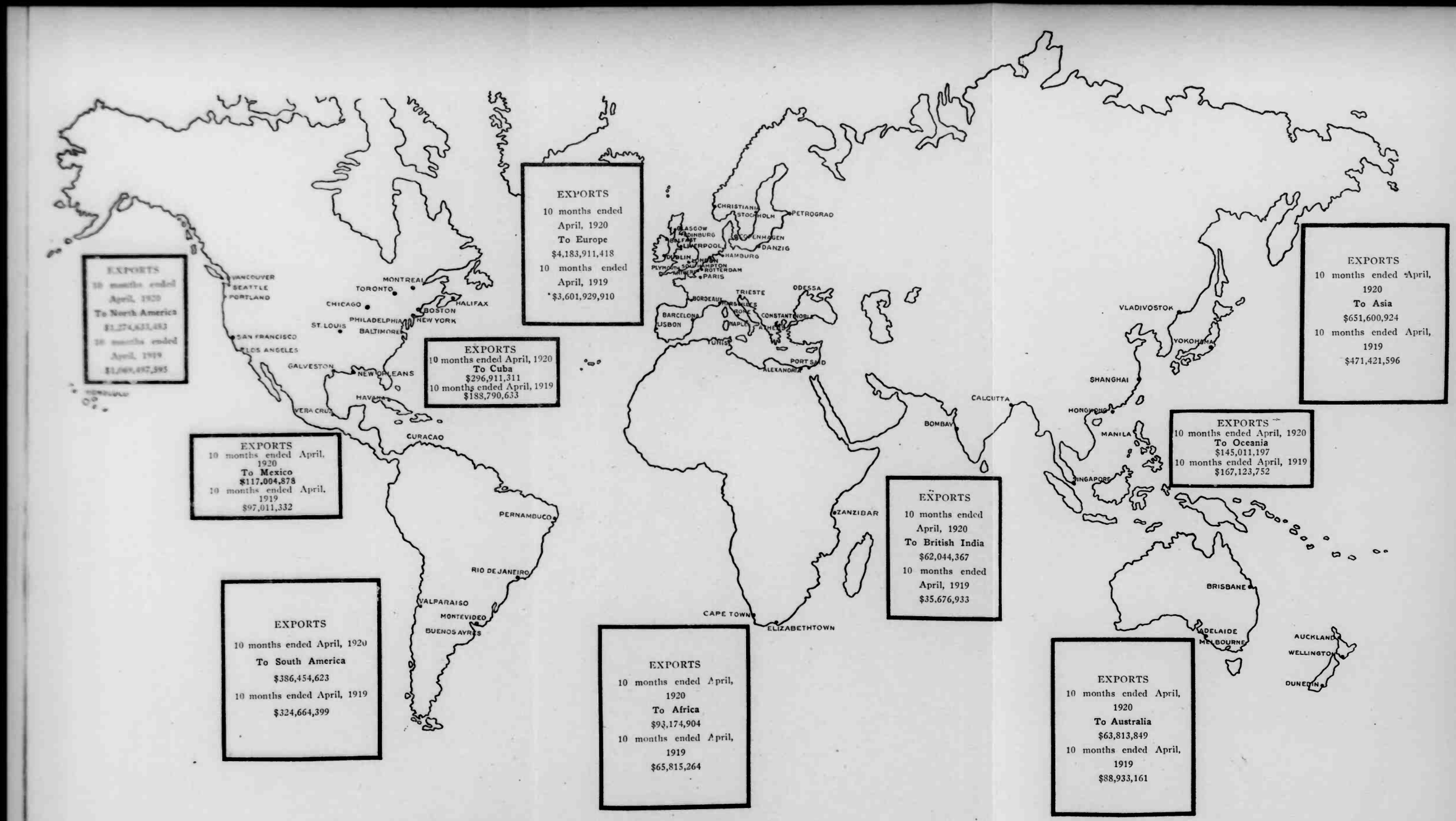
The Lesser Antilles extend from the Anegada Passage south to Trinidad.

The climate of the West Indies is tropical, except in the Bahamas and in the uplands of the larger islands. Rainfall varies from 31 to 114 inches. In autumn hurricanes visit the islands. The inhabitants are chiefly negroes and mulattoes, except in Cuba and Porto Rico where the Spaniards and Americans predominate.

Politically, the West Indies may be divided into the Republics of Cuba, Santo Domingo and Haiti, the American possession of Porto Rico, the British West Indies, French West Indies, Dutch West Indies, and the American possession of the Virgin Islands.

The British are in possession of Jamaica and dependencies,


EXPORTS
10 months ended April, 1920
To North America
$1,274,633,483
10 months ended April, 1919
$1,069,497,595
EXPORTS
10 months ended April, 1920
To Europe
$4,183,911,418
10 months ended April, 1919
$3,601,929,910
EXPORTS
10 months ended April, 1920
To Asia
$651,600,924
10 months ended April, 1919
$471,421,596
EXPORTS
10 months ended April, 1920
To Cuba
$296,911,311
10 months ended April, 1919
$188,790,633
EXPORTS
10 months ended April, 1920
To Oceania
$145,011,197
10 months ended April, 1919
$167,123,752
EXPORTS
10 months ended April, 1920
To Mexico
$117,004,878
10 months ended April, 1919
$97,011,332
EXPORTS
10 months ended April, 1920
To British India
$62,044,367
10 months ended April, 1919
$35,676,933
EXPORTS
10 months ended April, 1920
To South America
$386,454,623
10 months ended April, 1919
$324,664,399
EXPORTS
10 months ended April, 1920
To Africa
$93,174,904
10 months ended April, 1919
$65,815,264
EXPORTS
10 months ended April, 1920
To Australia
$63,813,849
10 months ended April, 1919
$88,933,161
VANCOUVER
SEATTLE
PORTLAND
SAN FRANCISCO
LOS ANGELES
MONTREAL
TORONTO
CHICAGO
ST. LOUIS
PHILADELPHIA
BOSTON
NEW YORK
BALTIMORE
HALIFAX
GALVESTON
NEW ORLEANS
HONOLULU
VERA CRUZ
HAVANA
CURACAO
PERNAMBUCO
RIO DE JANEIRO
VALPARAISO
MONTEVIDEO
BUENOS AYRES
CHRISTIANIA
STOCKHOLM
PETROGRAD
GLASGOW
EDINBURG
BELFAST
LIVERPOOL
COPENHAGEN
DANZIG
HAMBURG
DUBLIN
LONDON
PLYMOUTH
SOUTHAMPTON
ROTTERDAM
ANTWERP
PARIS
BORDEAUX
TRIESTE
ODESSA
MARSEILLES
ROME
BARCELONA
LISBON
NAPLES
CONSTANTINOPLE
ATHENS
TUNIS
PORT SAID
ALEXANDRIA
CALCUTTA
BOMBAY
ZANZIBAR
CAPE TOWN
ELIZABETHTOWN
VLADIVOSTOK
YOKOHAMA
SHANGHAI
HONGKONG
MANILA
SINGAPORE
BRISBANE
ADELAIDE
MELBOURNE
AUCKLAND
WELLINGTON
DUNEDIN


EXPORTS
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$117,004,878
10 months ended April, 1919
$97,011,332
EXPORTS
10 months ended April, 1920
To Cuba
$296,911,311
10 months ended April, 1919
$188,790,633
EXPORTS
10 months ended April, 1920
To Oceania
$145,011,197
10 months ended April, 1919
$167,123,752
EXPORTS
10 months ended April, 1920
To British India
$62,044,367
10 months ended April, 1919
$35,676,933
EXPORTS
10 months ended April, 1920
To South America
$386,454,623
10 months ended April, 1919
$324,664,399
EXPORTS
10 months ended April, 1920
To Africa
$93,174,904
10 months ended April, 1919
$65,815,264
EXPORTS
10 months ended April, 1920
To Australia
$63,813,849
10 months ended April, 1919
$88,933,161
VANCOUVER
SEATTLE
PORTLAND
SAN FRANCISCO
LOS ANGELES
CHICAGO
ST. LOUIS
MONTREAL
TORONTO
BOSTON
HALIFAX
PHILADELPHIA
NEW YORK
BALTIMORE
GALVESTON
NEW ORLEANS
HAVANA
VERA CRUZ
CURACAO
PERNAMBUCO
RIO DE JANEIRO
VALPARAISO
MONTEVIDEO
BUENOS AYRES
CHRISTIANIA
STOCKHOLM
PETROGRAD
GLASGOW
EDINBURG
BELFAST
LIVERPOOL
COPENHAGEN
DANZIG
DUBLIN
HAMBURG
PLYMOUTH
SOUTHAMPTON
ROTTERDAM
PARIS
BORDEAUX
TRIESTE
ODESSA
BARCELONA
LISBON
MARSEILLES
ROME
NAPLES
CONSTANTINOPLE
ATHENS
TUNIS
PORT SAID
ALEXANDRIA
BOMBAY
CALCUTTA
ZANZIBAR
CAPE TOWN
ELIZABETHTOWN
VLADIVOSTOK
YOKOHAMA
SHANGHAI
HONGKONG
MANILA
SINGAPORE
BRISBANE
ADELAIDE
MELBOURNE
AUCKLAND
WELLINGTON
DUNEDIN

the Bahamas, Leeward Islands of St. Christopher, Nevis, Montserrat, Antigua, and Dominica, the Windward Islands of St. Vincent, St. Lucia, Grenada and the Grenadines, Barbados, and Trinidad and Tobago.

The French West Indies include St. Bartholomew, Guadeloupe, Martinique, and one-half of St. Martin. Fort de France is a naval station.

The Dutch West Indies include one-half of St. Martin, St. Eustache, and Saba, near Porto Rico, and a group off the Venezuelan coast including Curacao, Bonaire, and Aruba.

The Virgin Islands, now belonging to the United States include St. Thomas, St. Croix, St. John, Crab, and Culebra. St. Thomas is the principal island with an area of 140 square miles.

The West Indies serve as a great market for the United States. In the fiscal year of 1916 they purchased $191,195,791 worth of goods, as against $177,628,611 for South America. Cuba, of course, was the heaviest purchaser. During this same fiscal year the Islands purchased two-thirds as much as Asia and the East Indies, and four and one-half times as much as all of Africa.

Located within easy shipping distance of American ports, the West Indies serve as a logical customer for American manufacturers and exporters.

The growth of exports to this region is reflected in the following table:

	1915.	1918.
Cuba	$95,750,004	$227,156,047
Porto Rico.....	44,318,161	54,043,349
British West Indies.	13,948,820	21,432,437
Dominican Republic..	7,447,182	16,156,443
Haiti	4,899,856	9,069,275
French West Indies.	2,698,050	5,357,451
Dutch West Indies..	1,269,808	1,361,434
Virgin Islands.....	882,442	1,640,130
	$170,914,333	$336,216,539

The total for 1918 represents an increase of 97 per cent over that of 1915.

Of all these regions, Cuba, of course, is the most promising market. Her imports are more than equal to that of all of the other islands put together. Cuba's purchasing power has been greatly increased by the immense wealth derived from the sugar industry. The state of this industry has never been better in its history. The growing demand for foreign made goods in Cuba is reflected in her imports for the following years:

1914	$118,202,000
1915	140,884,000
1916	215,961,000
1917	256,085,000

The percent of the total imports of Cuba imported from the United States is shown in the following table:

1914	58.23%
1915	67.35%
1916	72.00%
1917	74.00%

Since the beginning of the Republic in 1902 the foreign commerce of Cuba has increased more than 200 per cent.

Of the total foreign trade of Porto Rico, $137,683,304, that with the United States amounted to $124,460,747 in the fiscal year 1917-1918. Porto Rico's needs are for iron and steel manufactures, wheat flour, cotton cloths, shoes, automobiles, paper, etc.

The Dominican Republic was taken over by the United States military authorities in 1916. Under military rule the country has made rapid progress in commerce, the total for 1917 amounting to $40,026,394, an increase of 182.58 per cent over 1908.

The Dominican Republic's principal imports from the United States are cotton cloths, shoes, iron and steel manufactures, machinery, automobiles, oils, chemical products, wheat flour, meats, canned and preserved meats.

The governments of Haiti and the United States signed a convention on July 1, 1916, authorizing the latter government to take charge of the collection of customs, the supervision

of the monetary system, and the administration of the finances of the Republic for a term of years. This action was taken on account of the unsettled political situation which had been retarding progress on the island. With the United States in virtual control there is an opportunity for developing the resources of the island, and the development of trade with the United States. For the fiscal year ended June 30, 1918, exports from the United States to Haiti were $8,359,922 as against $5,540,705 for 1914.

Jamaica's trade with the United States is growing. Imports from the United States increased from 48 per cent of the total in 1914 to 70 per cent in 1917. Jamaica's principal imports from the United States are manufactured articles and foodstuffs.

The United States has shown marked gains in trade with Trinidad and Tobago, increasing its exports to the Islands from 28 per cent of the total in 1914, to 35 per cent in 1916. For the fiscal year ended June 30, 1918, exports from the United States amounted to $6,997,946 as against $3,465,610 for 1914.

Exports from the United States to Barbados for the fiscal year ended June 30, 1918, were $2,701,156, compared with $1,412,934 for 1914.

Those desiring to do business in Cuba will naturally establish their headquarters in Havana, the principal city of the Island, and one of the most prosperous in Latin-America. Business in Haiti can be looked after from Port Au Prince.

Central America

The little republics of Central America are potentially rich in natural wealth. Not until stable governments are established in the majority of these little countries will it be expedient for American business men to enlarge their activities in that region, however. Central America consists of Guatemala, Honduras, Salvador, British Honduras Nicaragua, Costa Rica and Panama.

The present population of Central America is estimated at between 6,000,000 and 7,000,000.

The United States is the principal buyer of Central Ameri-

can products as well as the principal source of supply. American capital, also, is heavily invested in those countries, with the exception of British Honduras where British capital is in control of the lumber industry and in Guatemala where the Germans control the coffee industry.

The principal exports by countries are as follows: Costa Rica and Honduras, bananas; Salvador and Guatemala, coffee; British Honduras, timber; Nicaragua, coffee and bananas; Panama, bananas.

South America as a Field for American Merchandise

South America proper has been a lucrative field for American business for a good many years. There is a mistaken impression in this country that South America only recently became a splendid market for American merchandise. This is not so. Statistics before the war—for many years before the war—show that the American business man has been very successful in the countries making up that great continent. Although encountering the competition of German, British and French, merchandise produced in this country has been successfully sold in that vast region. The big boom in business with South America sprang up, however, when the business men of Europe closed their doors to engage in war. The South Americans then began to shop in the United States. Thousands of new customers were placed on the books of American manufacturers and exporters, and a great majority of these have become permanent clients.

For the seven months ending in July, 1919, we sold to South America $263,528,000 worth of merchandise as compared to $171,610,000 during the same period in 1918. This shows the rapidity with which the United States is developing trade relations with that continent. Argentina, Brazil and Chile are our biggest customers in that continent.

The following is a summary of conditions in each country:

Colombia

Colombia occupies the northwest corner of the South American continent. The area of this country is about 440,846 square miles. Its climate is varied owing to its geographic characteristics. Thus, in the lowlands the temperature is from 74 to 86 degrees, while in the temperate zone the annual mean varies from 62 to 72 degrees, and the climate is healthful. The valleys are hot, and rainfall is heavy on the coast.

Colombia's mineral wealth is extensive. Gold forms a great part of her wealth. Practically all the emeralds of the world come from Colombia. The country is second to Russia in the production of platinum which is in so much demand at the present time. Colombia has also copper, silver, lead, iron, mercury, coal and manganese while recent investigations have shown that the country has tremendous possibilities in the petroleum industry.

The country's foreign trade for a period of eight years is reflected in the following table:

Year.	Imports.	Exports.
1910	$17,383,000	$17,625,000
1911	18,109,000	22,376,000
1912	23,965,000	32,222,000
1913	28,635,000	34,315,000
1914	20,979,000	32,633,000
1915	17,840,000	31,579,000
1916	28,922,000	40,000,000
1917	23,334,000	40,531,000

Principal exports from the United States are lard, flour, cotton goods, iron and steel manufactures, etc.

The principal port is Cartagena which is an important commercial center.

Venezuela

Venezuela, lying along the north coast of South America, has a total area of about 393,976 square miles. Like Colombia, its variation of altitudes give it a wide range of climate.

Gold, copper and iron supply Venezuela with most of its mineral wealth. Venezuela is also a fine agricultural country, practically one-fifth of the population being engaged in this industry. The principal product is coffee which grows in nearly every section of the Republic. In 1917 there were 33,000 coffee plantations which had over 200,000 acres of land under cultivation. Cacoa, also, is extensively grown. Other agricultural products are sugar, tobacco, cotton and rubber. There is very little manufacturing in the country.

The foreign trade of Venezuela is rapidly growing, and the United States is leading all other countries in the value of imports and exports with that country.

The following table shows Venezuela's foreign trade for eight years:

Year.	Imports.	Exports.
1910.....	$12,388,000	$17,949,000
1911.....	18,395,000	22,684,000
1912.....	20,569,000	25,261,000
1913.....	18,030,000	29,484,000
1914.....	13,987,000	21,520,000
1915.....	13,470,000	23,404,000
1916.....	21,382,000	25,530,000
1917.....	24,593,000	24,005,000

The chief port of Venezuela is La Guayra.

The Guianas

The Guianas are British, Dutch and French Guiana.

British Guiana has an area of 90,277 square miles and is situated on the north coast of South America, having Dutch Guiana, Brazil, and Venezuela on the east, south and west, respectively.

British Guiana's mineral wealth is derived principally from gold which is washed in all the river valleys. Sugar cane and rice is grown extensively, and sugar, rum and molasses are manufactured.

The inhabitants are chiefly Portuguese, negroes, Hindu coolies, and Chinese. The aborigines number about 8,000. The total population of the colony is about 350,000.

The area of French Guiana is about 30,500 square miles. The capital and port is Cayenne. The principal industry is the growing of coffee and cacoa.

Exports from the principal town of Dutch Guiana are balata, sugar, gold, cacoa, bananas, coffee, timber and rum. Imports consist of manufactured articles, oils, drugs, chemicals, wines and liquors, and animals.

The area is 46,142 square miles and the population, consisting of Portuguese and negroes, is about 92,000 of whom less than 1,000 are Europeans.

Ecuador

The approximate area of the republic is 116,000 square miles, including the Galapagos Islands in the Pacific.

The most important industry of the country is agriculture. Cacoa is the chief product while rubber is gaining fast. The yearly production amounts to 1,000,000 pounds. The lowlands of the country produce coffee, sugar, bananas, cotton, tobacco and vegetable ivory and in the upper regions cereals are grown. The country is making a start at cattle raising and sheep farming.

While Ecuador is known to be rich in minerals little has been done to develop the mining industry.

Ecuador's principal trade is with the United States, France and Great Britain, and since the opening of the Panama Canal trade between the United States and Ecuador has greatly increased. Ecuador is in need of manufactured articles, foodstuffs and woven goods. In 1916 imports from the United States amounted to $5,334,271. Guayaquil is the only important port of the country.

The population of the country is estimated at 2,000,000.

Ecuador's foreign trade for a period of eight years is as follows:

Year.	Imports.	Exports.
1910.....	$11,489,000	$12,692,000
1911.....	10,354,000	13,690,000
1912.....	8,837,000	15,789,000
1913.....	8,403,000	13,061,000
1914.....	8,408,000	12,895,000
1915.....	9,330,000	17,570,000
1916.....	9,346,000	17,600,000
1917.....	10,195,000	16,338,000

Peru

Peru is one of the richest countries on the west coast of South America, and presents the most favorable possibilities for the development of trade with the United States.

The area of Peru is 695,733 square miles, and the population is about 5,000,000 inhabitants.

Peru is rich in forestry, mining and agriculture. The most valuable of the Peruvian forests is rubber.

Gold, silver, copper, petroleum, nitrates, vanadium, tung-

sten, nickel, iron, sulphur, borax and peat furnish the mineral wealth of the country. Among agricultural products sugar and cotton take the lead.

The chief manufactures of the country are cotton and woolen goods. The textile factories of Peru consume about 5,000,000 pounds of cotton annually.

Peru's principal imports are textiles of all kinds, wheat, lumber, coal, oils, wearing apparel, medicines and machinery.

The United States leads in exports to that country, and the opportunity for further increasing our commerce is growing better.

Peru's foreign trade for a period of years is:

Year.	Imports.	Exports.
1910	$24,206,000	$34,380,000
1911	26,430,000	36,042,000
1912	24,982,000	45,817,000
1913	29,591,000	44,410,000
1914	23,464,000	42,611,000
1915	15,044,000	68,638,000
1916	42,256,000	80,497,000
1917	65,712,000	90,728,000

Callao is the principal port but the biggest volume of business is transacted in Lima, the capital.

Bolivia

The area of Bolivia is about 708,195 square miles, and population about 2,900,000 of which about 50 per cent are Indians, 25 per cent mixed Spanish and Indian, and 13 per cent white.

The principal mineral products of Bolivia are tin, silver, gold, copper, iron, lead, zinc cobalt, platinum, antimony, bismuth, and quicksilver.

Bolivia's foreign trade from 1910 to 1917, inclusive, was:

Year.	Imports.	Exports.
1910	$19,033,000	$29,493,000
1911	22,765,000	32,226,000
1912	19,308,000	35,148,000
1913	21,357,000	36,551,000
1914	15,507,000	25,662,000
1915	8,804,000	37,132,000
1916	12,128,000	39,360,000
1917	13,057,000	61,522,000

Bolivia has no seaport, and the only way to reach La Paz, the capital, is by rail from Mollendo, Peru, or from Antofagasta, Chile.

Chile

Chile is a promising market for American manufacturers and exporters. The most progressive country on the west coast of South America this republic is rapidly developing its resources, and is in constant need of manufactured wares which the United States is in a position to supply. Chile was a fine customer for British and German goods before the war broke out, but when those sources of supply were cut off she turned to this country where she found an ample supply of merchandise for her needs.

The area of Chile is 307,620 square miles and population 5,000,000.

The world famous nitrate deposits in the northern part of Chile, and from the export duties on this product the republic derives its principal income.

The country is rich in agricultural lands, and the stock raising industry is growing rapidly. As a manufacturing country, Chile ranks among the first countries of South America. Her principal manufacturing industries are flour milling, tanning, smelting, brewing and distilling. Shoes, harness, textiles, clothing, furniture, cars and carriages, pottery and soap are also manufactured in the country. Chile, also, is one of the largest wine growing countries in the world. About 80,000,000 gallons of wine and spirits are produced annually.

Trade with the United States has increased rapidly. In 1908 imports from the United States amounted to $8,000,000 as compared with $169,000,000 in 1917.

Chile is one of the finest markets for American merchandise in South America.

The importance of the country in foreign trade is reflected in the following statistics of her commerce:

Year.	Imports.	Exports.
1910	$108,582,000	$120,022,000
1911	127,381,000	123,884,000
1912	122,076,000	139,878,000
1913	120,274,000	144,653,000

Year.	Imports.	Exports.
1914.....	98,461,000	109,381,000
1915.....	55,922,000	119,530,000
1916.....	81,220,000	187,458,000
1917.....	129,603,000	259,985,000
1918.....	.....	799,625,000

Valparaiso is the principal port of Chile, and while many importers maintain offices in this city, there are branches in Santiago, the capital.

Argentina

Next to Brazil, Argentina is the largest Republic in South America, having an area of 1,135,840 square miles.

The population is about 7,900,000.

The country derives its riches from its agriculture and stock raising. The principal crops are wheat, maize, and linseed. The sugar and wine industry are also extensive. There is very little mining in the country. The principal mineral product is petroleum which has been discovered in the southern part of the country.

Of the 728,680,000 acres in Argentina, 253,195,000 acres are suitable for agriculture or stockraising. In 1917 the acreage and production of the four leading agricultural products were as follows: Wheat, 16,088,967 acres; corn, 8,968,851 acres; linseed, 3,207,414 acres; oats, 2,525,406 acres.

Stock raising is second in importance to agriculture. The country is one of the greatest cattle regions of the world.

In 1917, meat to the value of $132,400,000 was exported.

Railroad development in Argentina has progressed rapidly. In 1918 there were 21,858 miles of railway in operation, 5,772 of which were state property.

Buenos Aires, the largest city in South America, is the capital. Argentina is not a manufacturing region, although the industry is developing and opportunities for the sale of manufacturing machinery are growing. The principal industrial plants are sugar factories, wine depots, flour mills, breweries, and meat freezing depots. There is very little fuel to be had for manufacturing purposes; most of the coal comes from Great Britain and the United States.

Argentina's commerce for a period of nine years was as follows:

Year.	Imports.	Exports.
1910.....	351,771,000	372,626,000
1911.....	366,811,000	324,697,000
1912.....	364,853,000	480,391,000
1913.....	421,352,000	483,504,000
1914.....	271,818,000	349,254,000
1915.....	220,086,000	541,532,000
1916.....	226,887,000	527,045,000
1917.....	380,321,000	559,170,000
1918.....	464,065,000	797,569,000

Brazil

Brazil is the largest country in South America, and the third largest in the world. An estimate of the total population in 1915 was 26,542,402, of which 45 per cent is European, 32 per cent Indian half breeds, 15 per cent negroes, and 8 per cent pure Indians.

The possibilities for developing trade with Brazil are unlimited. The country is being developed rapidly. Her foreign trade is flourishing. The total imports in 1917 were valued at $222,550,000 and the exports at $299,375,000.

Brazil's commerce is principally carried on with the United States, Great Britain, France, Argentina, Portugal and Italy.

Brazil's natural resources are vast. Her forest regions along the Amazon cover 2,000,000 square miles, and it supplies several hundred miles in the country with timber.

Brazil's mineral wealth is rapidly being developed. In her chief mining regions diamonds, gold, iron, manganese, and coal are produced in substantial quantity. Manganese in particular, in recent years has been mined with considerable success. It is estimated that the visible deposits of iron total 2,000,000,000 tons.

Agriculture, however, is the principal source of wealth. Brazil supplies 50 per cent of the world's demand for rubber which is found in abundance in the Upper Amazon. The total annual crop amounts to more than forty thousand tons. Coffee is the chief product; 4,500,000 acres are devoted to its culture. The annual crop is about 12,000,000 sacks. Cacao is also an important product. Other crops grown in Brazil successfully are sugar, tobacco, cotton, rice, corn, beans and mate.

Census figures for 1916 showing that Brazil had in that year nearly 29,000,000 head of cattle, over 17,000,000 swine, 7,000,000 sheep, and 6,000,000 horses, reflect the wealth of the country in the stock raising industry.

The textile industry is the most important manufacturing industry. Capital invested is about $80,000,000. There is considerable development going on in the preparation and manufacture of hides and leather. About 20,000,000 pairs of shoes are made annually.

The foreign commerce of Brazil is shown in the following figures of imports and exports for a period of nine years:

Year.	Imports.	Exports.
1910.....	$231,292,000	$304,370,000
1911.....	257,163,000	325,272,000
1912.....	307,934,000	362,795,000
1913.....	326,100,000	313,628,000
1914.....	172,223,000	221,539,000
1915.....	146,082,000	255,659,000
1916.....	195,998,000	265,802,000
1917.....	209,434,000	284,114,000
1918.....	247,352,000	284,275,000

The principal cities of Brazil are Rio de Janiero, Sao Paulo, and Bahia.

Paraguay

With the exception of Uruguay, Paraguay is the smallest of the South American republics, having a total area of 171,815 square miles. Yet it is larger in area than the state of Arizona and Alabama combined. While it is the most backward country in South America, it has, nevertheless, wonderful possibilities for development. At present tobacco, cotton, and mate are grown extensively. Stock raising is growing in importance. Paraguay's commerce is improving. Its principal exports are hides, quebracho extract, mate, hardwoods, and tobacco.

The principal city is Asuncion.

The population of Paraguay is about 800,000.

The following table shows the extent of its foreign trade:

Year.	Imports.	Exports.
1910.....	$6,217,000	$4,769,000
1911.....	6,494,000	5,593,000
1912.....	5,190,000	4,109,000
1913.....	7,876,000	5,462,000
1914.....	4,995,000	4,447,000
1915.....	2,334,000	8,624,000
1916.....	4,492,000	4,667,000
1917.....	4,667,000	11,237,000

Uruguay

Uraguay is the smallest republic in South America, containing only 72,210 square miles. The country is about the size of North Dakota. It enjoys a mild and healthful climate which attracts thousands of people annually. Its population according to the latest census, was 1,378,000, or a population of about 19.1 persons per square mile. Italians, Spaniards, Brazilians, Argentinos, French, Swiss, English, and Germans predominate. There are very few Americans in the country. Montevideo with a population of 376,000 is the largest city, and the capital.

Cattle raising is a very important industry in Uruguay. American interests have established packing plants in the country and this has given considerable encouragement to the raising of cattle. Uruguay's vast grazing territory also is an advantage in the development of this industry. Sheep raising is also important. There are about 25,000,000 sheep in the country.

The government is lending considerable assistance to the agricultural interests. Agricultural colleges with experimental stations similar to those conducted in the United States have been established. The principal crops are wheat, oats, linseed, and barley.

Uruguay's foreign commerce is gradually growing. The country serves as a good market for coal, foodstuffs, machinery, office appliances, etc. The following table on her foreign commerce indicates the country's growing importance:

Year.	Imports.	Exports.
1910.....	$46,590,000	$44,200,000
1911.....	51,355,000	50,753,000
1912.....	50,666,000	65,142,000

Year.	Imports.	Exports.
1913.....	50,501,000	69,201,000
1914.....	37,379,000	59,102,000
1915.....	35,000,000	73,300,000
1916.....	35,155,000	71,050,000
1917.....	38,700,000	96,217,000

The Near East

Owing to changed conditions in Europe there has been some confusion as to geographical boundaries in that continent. Nations have been dismembered; new states have been created and boundary lines have been redrawn. It is therefore necessary to make a study of the modern geography of Europe in order that the reader may get his bearings.

The Near East, also known as the Levant, has perhaps suffered as many changes at the hands of the map makers as any other region in the old world as the result of the Great War. According to the Department of Commerce the Near East is understood to mean the Balkan States, Turkey in Asia, and Egypt, as well as Arabia and Persia, and parts of Armenia.

The Balkans include the following states:

Roumania, Bulgaria, Servia, a part of Croatia-Slavonia, Bosnia and Herzegovina, Dalmatia, Montenegro, Albania, Greece, and the remnants of European Turkey.

The Balkan Peninsula includes all the above named regions with the exception of Roumania.

Since the end of the war, and the subsequent opening of these countries to foreign commerce great markets for American wares have been revealed. The majority of these regions need foodstuffs, cloth, clothing, electrical plants and materials, farming products, agricultural machinery and implements, motor transportation, railway material and rolling stock, and bridge construction materials. Countries like Greece, Roumania and Turkey have been large purchasers of American goods in the past, and latest reports from that region are very encouraging. As soon as conditions are settled in the new states the United States may rest assured of a substantial share of the trade from that part of the world.

The Far East

The Far East includes Japan, Chosen, Formosa; the Philippine Islands; China, Manchuria, Mongolia, Tibet, Hong Kong; Siberia; French Indo-China; Siam; the Malay Peninsula; India, Burma, Ceylon, Afghanistan and Baluchistan; and the Dutch East Indies, including Java, Sumatra, Celebes, Borneo, and New Guinea.

America's business with the Far East has been making rapid strides. Our total sales for 1914 were $113,425,616 while in 1918 they were increased to $458,937,775. Japan is one of our best customers in that region. With the betterment of transportation facilities the Far East should develop into one of America's finest markets.

In 1918 we exported goods to Japan valued at nearly $274,000,000 while our imports were over $300,000,000.

Our exports to China in 1918 were over $52,000,000 while our imports were nearly $111,000,000.

A great potential market for American wares lies in India, containing a population of over 300,000,000 people. Tariff duties present no obstacle to any country. India needs cotton piece goods, automobiles, electrical apparatus, and hardware in general, grains, rugs, dyes, typewriters, oils, tools, explosives, glassware, etc.

Ceylon is a good market for cotton goods, automobiles, kerosine, haberdashery. leather goods, sewing machines, typewriters, hardware and textiles.

Colombo is the principal city and ranks seventh in tonnage among all ports.

A comparative table of foreign trade statistics showing the commerce of the United States with principal regions of the Far East gives an idea of the importance of those markets. The following tables disclose the magnitude of trade with the Far East for a period of years.

		Exports.	Imports.
Japan	1913	$61,204,180	$92,236,691
	1914	48,385,538	98,269,504
	1916	101,733,000	169,126,000
	1917	186,340,304	253,669,709
	1918	273,819,586	301,919,771

		Exports.	Imports.
Philippine Islands	1913	$25,384,793	$21,010,248
	1914	27,304,275	18,162,312
	1916	22,862,673	35,648,133
	1917	38,140,152	62,384,641
	1918	52,976,172	85,935,220
China	1913	21,326,834	39,010,800
	1914	24,698,734	39,382,978
	1916	25,131,459	71,655,045
	1917	40,292,059	125,106,020
	1918	52,570,579	110,970,969
British India	1913	15,108,956	116,220,591
	1914	15,625,195	111,903,527
	1916	22,537,000	68,609,000
	1917	36,000,000	101,057,067
Straits Settlements	1913	3,606,901	35,712,185
	1914	4,184,674	26,307,860
	1916	4,585,231	82,114,598
	1917	7,734,439	127,562,633
Dutch East Indies	1913	3,151,693	6,221,954
	1914	3,676,895	5,334,361
	1916	7,401,026	27,716,589
	1917	21,139,305	62,011,236
Siam	1913	485,058	116,565
	1914	836,870	146,545
	1916	774,956	237,250
	1917	1,051,586	149,162

The Commonwealth of Australia

Lying to the southeast of the continent of Asia is the Commonwealth of Australia, comprising the states of New South Wales, Queensland, South Australia, Victoria, Western Australia, and two territories, the northern territory and certain possessions in the South Sea Islands. The total area of Australia proper is 2,946,691 square miles; of the "Commonwealth" 2,974,581 square miles.

Australia is rich in a variety of industries. Not only is it a great sheep and cattle country but it produces minerals such as gold, coal, silver, copper and iron, in great quantities. As a manufacturing country Australia is developing rapidly

owing to the liberal policy of the Commonwealth government to encourage local industries by means of protected duties and the payment of bounties. New South Wales and Victoria are the leading manufacturing states.

The following table of imports and exports indicate the importance of the Commonwealth's foreign commerce:

Year.	Imports.	Exports.
1910	$280,027,000	$347,576,000
1911	312,470,000	370,864,000
1912	364,688,000	369,062,000
1913	372,112,000	366,616,000
1914	185,602,000	176,982,000
1915	300,639,000	282,725,000
1916	361,713,000	348,916,000
1917	355,683,000	457,060,000
1918	283,796,000	350,114,000

New Zealand is 1,200 miles southeast of Australia. The total area is 104,751 square miles. It consists of two long, narrow main islands separated by Cook Strait. The population is about 1,000,000, 98 per cent of which are of British birth. The principal cities of New Zealand are Auckland, Wellington, Christ Church, and Bunedin. New Zealand as a market for American wares is a fertile one. Its foreign trade is reflected in the following figures:

Year.	Imports.	Exports.
1910	$75,179,000	$93,590,000
1911	92,871,000	106,649,000
1912	94,993,000	90,280,000
1913	101,946,000	103,384,000
1914	108,321,000	110,728,000
1915	105,221,000	126,286,000
1916	104,608,000	150,845,000
1917	128,180,000	161,991,000
1918	101,804,000	153,769,000

Africa as a Market for American Goods

Africa is little known to the average American trader. We have paid but little attention to this part of the world. We speak, of course, of the South African Union with a great white pop-

ulation. The Transvaal with its rich mines furnishes the wealth of that region and upon these riches depends the prosperity of the Union.

While the population of this section of Africa is growing slowly nevertheless it has splendid prospects and American manufacturers and exporters are making creditable gains in the establishment of a permanent trade with the merchants of that region.

The area of the Union of South Africa is 473,100 square miles which figures illustrate the immensity of the country. It is nearly as large as Alaska. Its population is over 7,000,000.

Other countries in Africa such as Morocco, Algeria, Tunis and Tripoli have not yet reached that commercial position where they demand serious attention for big business.

During the years 1917 and 1918 the exports of the United States to Africa which in this instance includes Egypt and other colonies of European countries were valued at $51,383,656 and $59,199,319, respectively. The exports to the Union of South Africa in 1917 totaled $39,084,607 as compared with $43,760,697 in 1918.

While we have included Egypt in the division called the Near East it may be proper to give passing notice to that country in speaking about Africa owing to the fact that next to the Union of South Africa it is the most important country in that continent from the standpoint of its potential possibilities for American wares. Egypt has several trade centers in which business can be developed. There are no exacting trade laws to hinder commerce as the country is under British control.

Europe

Europe has been America's greatest customer. Although composed of great manufacturing nations, Europe before the war bought tremendous quantities of American-made goods, as statistics furnished by the Bureau of Foreign and Domestic Commerce indicate. The records of manufactured articles sold to Europe for 12 years is as follows: 1900, $145,000,000; 1901, $135,000,000; 1902, $130,000,000; 1904, $137,000,000; 1905, $135,000,000; 1906, $151,000,000; 1907, $165,000,000; 1908, $173,000,000; 1909, $160,000,000; 1910, $168,000,000; 1911, $186,000,000; 1912, $206,000,000.

Before the war we sold to Germany manufactured articles that

she could manufacture cheaper in her own factories. England has been a great buyer of American manufactured articles. Some of the purchases by some of the countries of Europe of certain manufactured articles such as sewing machines, watches, etc., have been greater than the purchases of all the countries of South America put together. France, the country in which the automobile originated, purchased more automobiles from the United States before the war than our neighbor, Mexico. Other nations will become big buyers as their needs in this reconstruction period justify—and their needs are great.

It is needless to go into detail as to the market requirement of each individual country in Europe. It is enough to say that practically every nation in that continent is a potential field for increased business with the United States. The following table of exports and imports with the principal countries of Europe reflects the importance of that field:

IMPORTS FROM—

Principal Countries.	1918.	1917.
Austria-Hungary	97,323	64,937
Belgium	13,964	158,022
France	59,509,742	98,639,653
Germany	317,706	159,352
Italy	24,340,022	36,480,807
Netherlands	8,824,419	22,744,504
Norway	2,015,851	6,280,233
Russia in Europe	6,784,603	12,350,179
Spain	18,488,289	36,881,630
Sweden	5,935,490	18,069,487
Switzerland	16,882,854	19,834,668
United Kingdom	148,614,815	280,080,175

EXPORTS TO—

Principal Countries.	1918.	1917.
Austria-Hungary	.....	.....
Belgium	154,649,338	56,080,886
Denmark	11,353,845	32,408,830
France	931,199,774	940,791,331
Germany	.....	3,275

Principal Countries.	1918.	1917.
Greece	4,346,471	8,636,163
Italy	492,145,797	419,034,486
Netherlands	11,369,269	57,540,570
Norway	36,137,464	62,847,557
Russia in Europe	8,902,449	315,250,020
Spain	69,188,733	91,584,080
Sweden	15,674,108	20,467,923
United Kingdom	2,061,300,680	2,008,669,641

Canada

We regard Canada as a domestic rather than as a foreign field. Canada is growing in importance as a market for American goods. Her trade practices are similar to ours and there is no difficulty in establishing relations with the business men of the Dominion. We sold goods to the value of over $800,000,000 in 1917 to Canada. In 1918 the total value was $886,000,000.

CHAPTER XXIII

FOREIGN TRADEMARK REQUIREMENTS

American manufacturers who have seriously committed themselves to the policy of developing business for their products in foreign countries on a permanent basis, should not neglect the matter of registering their trademarks in the markets where such procedure may be deemed justifiable. Unless this precaution is taken, many of our exporting manufacturers will someday wake up to the fact that before they are able to do business in certain foreign countries they must dicker for the privilege with certain persons in those countries commonly known as "trademark pirates" who, taking advantage of the thoughtlessness of our American business men, registered these valuable trademarks in their own name.

In order to protect himself from these "pirates" the first thing an American manufacturer should do before beginning business in a foreign country is to register his trademark. This should be done even before appointing an agent or a representative, for the very simple reason that agents or representatives are sometimes known to register trademarks in their own names, and thereby deprive the American principal of his property rights. Neither should our American manufacturer depend on foreign agencies to handle this trademark matter. They, also, are sometimes known to register trademarks in their own name. The safest plan is to fiind a solicitor of patents and trademarks in the United States—there are many of these officials in this country, who have facilities for registering trademarks in foreign countries through reliable and competent associates.[1]

1 Since it is not feasible in any Latin American country, any more than it is in the United States, for any one not a trained specialist to attempt to secure his own patent or registered trade mark, any publication attempting to give directions as to the methods of securing patents and trade-marks would serve no adequate purpose and would be, in a great majority of cases, misleading in the highest degree. No manufacturer in the United States would for an instant consider a proposition of securing a patent or trade-mark except through regular patent and trade-mark solicitors. The identical procedure is necessary in Latin America.

If the owner of an United States trade-mark (already registered in the United States Patent Office) wishes to secure protection under the laws of the Latin American countries, this trade-mark must be filed in the proper office of the country wherein registration is desired. The registration offices of the several countries are called by different names. In order to register the U. S. or any other

Dangers Resulting From This Neglect

The dangers resulting from the failure to register trademarks in foreign countries where an American manufacturer may have a potential market for his goods may be seen from a recent exposure of a wholesale effort on the part of a Portuguese to corner a large number of trademarks belonging to American manufacturers in European countries and South America. By taking advantage of international trademark and patent laws, and filing a few papers in Portugal at the cost of a few hundred dollars this Portuguese is said to have obtained control of the principal markets of continental Europe and South America for American automobiles and tractors. Registering these trademarks in his own name in Portugal this man was within his rights under the Berne Trademark Convention to extend the control of these trademarks to the twelve other countries parties to the convention, unless the American owner had previously obtained registration in those countries.

In the countries where this man obtained the trademarks he is the only man entitled to sell these cars or tractors. He has the legal right to have confiscated in his favor all cars bearing those trademarks which are shipped to those countries. This places him in a position where he can force the manufacturers of these cars to make him their agent on his own terms or to stop doing business there. It cost this man only $20 to procure the registration of each trademark at Berne after he obtained registration

foreign trade-mark, it is usual for a power of attorney for that purpose, (certified by the consular representative of the country where it is desired to register the trade-mark), to be sent to some person residing in the city where the registration office is situated. A certified copy of the trade-mark as issued by the United States Patent Office, vised by the consul, must also be sent. In addition, it is advisable to send at least a dozen copies of the trade-mark, the ordinary printed copies used by the Patent Office being sufficient. An application for the registering of the trade-mark is then made out in Spanish (Portuguese if in Brazil, French if in Haiti) signed by the person holding the power of attorney, and filed in the registration office, together with the power of attorney, the certified copy of the trade-mark, and some of the plain copies with certified translation into Spanish. In due course of time the Office will issue a certificate certifying the registering of the trade-mark in that office. The foreign trade-mark is given the same protection and enjoys the same advantages as the trade-mark of the country.

Filing a trade-mark grants exclusive right to use of the same, and both criminal and civil proceedings may be instituted against a person infringing that right.

Each country of Latin America has special laws and regulations concerning the registering of trade-marks. In general, however, they correspond to those above.

In law it is not necessary that the filing of the application be done by a lawyer as any one has a right to apply for a registration of a trade-mark, but in practice a patent and trade-mark solicitor is always employed and this practice is strongly recommended. The names of suitable persons can be obtained from the United States Consuls in each country. There are also firms in the larger cities of the United States who make a specialty of this.—Statement issued by the Pan-American Union.

in Portugal. By reason of the fact that the United States is not a party to the Berne Convention, it is necessary for manufacturers to procure registration separately in each country in which they wish to do business.

In speaking of the dangers of trademark piracy in foreign countries, Mr. Albert E. Parker, New York patent lawyer, who discovered the plot just mentioned made the following statement:

"The most sinister and difficult problem which American exporters are constantly having to face is the policy, which has so enormously increased in recent years, of the pirating by foreigners of well-known American trademarks. American manufacturers, while unacquainted with the system under which trademarks are protected abroad, due to the fair and equitable arrangement common in the United States, whereby a trademark becomes the property of a manufacturer by actual use upon the goods themselves, are so frequently meeting with handicaps in the development of their trade abroad that it becomes important to keep before the American exporter the exact situation in connection with the protection of his trademarks and commerce in foreign countries.

"In practically all Latin countries, the registration of trademarks is the only way in which an American trader can acquire property rights in his brand or trademark and it is the common experience of those who are handling the goods of American manufacturers in foreign markets to find that the trade in a certain country is barred by reason of the unauthorized registration of the manufacturer's trademark by what are commonly classed as trade-mark pirates.

"Latin-American lawyers and commercial firms resent the suggestion that the practice of registering American trademarks in the name of a native of the country is rightly described as an act of commercial piracy, as in many cases the Latin agent, knowing full well the laxity of American manufacturers in such matters, frequently files an application to register the trademark in his own name, avowedly for the protection of the trade which he hopes and expects to build up under that brand or trademark.

"Unfortunately, many such registrations, while at the outset effected in good faith, are used by the agent abroad for securing better terms from the American manufacturer in case

of a dispute between the parties, and in many instances the agent refuses to assign the registration when the manufacturer or export house, through the development of its business or from other conditions, desires to change its agency relations abroad.

"The situation in Brazil is extremely difficult for the American manufacturers in that while it allows American traders to register their marks at the Junta Commercial in Rio, such a registration does not prevent a Brazilian trader from himself registering the same trademark in the separate states, twenty in number, forming the Republic of Brazil, and a mark so registered by the Brazilian trader can be used on the same or similar goods for which the American owner of the mark has obtained registration, and this without any possibility of redress.

"The situation in the Argentine Republic has been acute in these matters for many years past and without exaggeration it can be stated that many hundreds of well-known American trademarks have been wrongfully registered in the Argentine and large sums have been paid to Argentine citizens for the recovery of the right to use trade marks so registered. One of the leading export houses in New York recently reported that it had paid large sums to two Argentine traders for the right to export the goods of one of its clients to that country.

"Government departments and consular representatives abroad are constantly urging on American traders the need for taking the simple and safe course, which in the end is also the economical course, of registering their trademarks abroad before actually beginning trading operations in foreign countries. The small outlay involved in so registering, seeing that a registration, once effected, extends for a period of from ten to fifteen years or more, is trivial compared with the amount which might be, and frequently is demanded for the assignment of rights in a single country by a pirate who has registered the American trademark.

"A step forward has been taken through the passage of a new trademark measure in Great Britain which provides that any trademark which has been actually used in trading operations in Great Britain for a period of two years may be registered by the user thereof, and this, no matter what may be the nature of the mark. Thus, geographical terms, surnames, and even

descriptive words, if bona fide used as trademarks by the manufacturer for a period of two years may be registered.

"This will entitle British manufacturers to extend their registrations abroad in those countries where a certified copy of the home registration is demanded, and some legislation of this character is sorely needed in the United States, to enable American manufacturers to obtain similar advantages abroad. Many well-known American trademarks are debarred registration at the United States Patent Office under the present trademark law by reason of the nature of the trademarks, but they could readily be registered and protected under the laws of the foreign countries; and foreign trademark pirates, knowing the disadvantage in which American manufacturers are placed by the above situation, are constantly registering such trademarks in their own names, to the serious detriment of the American trader and with the express object of obtaining substantial payments from the rightful owner of the trademarks in this country."

Trademark regulations Vary in all countries

The American manufacturer takes little trouble in endeavoring to obtain information regarding the registration of his trademark in foreign countries. To him, a little matter like registering his mark overseas is of little consequence. Perhaps, he isn't thinking about venturing into foreign countries to sell his wares. Why, then, should he take the trouble of protecting the mark for which he has probably spent thousands of dollars to develop and to advertise at home? It is because he is not interested. In spite of all that has been said and written about the necessity of registering trademarks in overseas markets, the American manufacturer has been negligent, and the foreign trade pirate has been profiting as the result of this negligence. The matter of registering trademarks is not as complicated as it might seem. It is possible to obtain ample protection in practically every country where it is desirable to develop a market, if the manufacturer will only take the trouble to do it.

The countries of the world in which trademarks may be registered may be divided into two groups—the common-law group and the code-law group.

The common-law group comprises those countries in which ownership of trademarks is based on the common-law property right in trademarks; that is, a trademark is protected under the common law whether or not the mark has been registered. In this group may be included such nations as Great Britain, the colonies, and the United States, etc.

The code-law group comprises those countries where property rights in trademarks are acquired under statutes alone, and only upon complying with the provisions of the statute. Under this code are embraced most European or Latin American countries.

Requirements in Code-in-law Countries

In the code-law countries trademark registration is necessary in order to acquire the exclusive rights to its use in those countries. If the owner of the trademark does not take the trouble to register it any other person may do so, and acquire the exclusive right to use it notwithstanding the fact that the real owner may have used the mark for many years.

The theory of the trademark in these code-law countries is somewhat different than in the United States where a person must make use of it before making a registration. In the code-law countries, however, the theory is reversed. Registration

Under the trade-mark law of the Republic of Czechoslovakia, enacted on July 24, 1919, trade-marks which had been registered with any chamber of commerce in the former Austro-Hungarian empire, to .... day of enactment of the new law will be protected in the territory of the Republic with the priority of the original application if the owner of the trade-mark notifies the proper chamber of commerce in the Republic that he wishes to avail himself of the trade-mark protection in the jurisdiction of the Czechoslovak State. Three copies of the trade-mark, the identity of which should be certified by the chamber of commerce which originally registered it, should be attached to the application and applicants whose trade-marks were registered with any chamber of commerce in former Austria-Hungary, outside of the territory of the Czechoslovak Republic, should additionally attach a certified abstract from the trade-mark register. The expired period will be deducted from the 10 years' period of protection.

Trade-marks of aliens which had been registered only with the Vienna Chamber of Commerce or only with the Budapest Chamber of Commerce will be protected at their request within the entire jurisdiction of the Czechoslovak Republic with the original priority.

But in the territory where hitherto they have not been in effect they will be subject to the rights of third parties. Trade-marks with the picture or a name of the President of the Republic or other persons who have been of great service to the State and are generally well known, seals, devices, mottos, and coats of arms of States and municipalities or medals, can be registered only if on the basis of present regulations the right to use these special marks has first been established.

A person who has not a fixed residence in the territory of the Czechoslovak Republic can file an application if the laws of his home State extend the same privileges to the subjects of Czechoslovakia, provided also he appoints a duly authorized representative in the Czechoslovak Republic. The period of protection is 10 years. To September 18, 1919, 1,720 of new trade-marks and of those already registered in former Austria-Hungary had been presented for recording in the central trade-mark register; 56 of these because of noncompliance with the laws relating to trade-marks had been rejected and 122 had been temporarily withheld.

must first be made, after which the person making the registration has full legal authority to use it for his own purposes. Ignorance of this point has been the chief source of trouble for American manufacturers who have taken the step to register their marks in foreign countries a moment too late.

How the Trademark Pirate operates

Trademark pirates have received considerable encouragement to ply their trade through the ignorance of American manufacturers with respect to the procedure necessary to obtain protection in foreign countries. This ignorance has cost many American manufacturers large sums of money, for the trademark pirate in the real sense of the word is an unscrupulous being. Blackmail is not beneath his dignity. Sometimes a milder method is taken as for instance where a trademark is pirated merely to obtain a better bargain in negotiating for an exclusive agency.

Cases are also known where agents in foreign countries in order to insure for themselves a permanent contract as representatives of manufacturers, register the trademark of their principals. The latter in order to protect his interests permits the agent to continue as his representative under the circumstances. He can do nothing else. He cannot change his agency.

Marks capable of Registration

The following general observations apply to the kind of marks that are possible of registration in foreign countries:

No mark that is impossible of distinguishing the goods of one person from the goods of another can be registered.

No person can register a mark which every person should have the right to use in carrying on his business.

There are certain types of marks favored in the United States which cannot be registered in many countries, and for this reason it is important that conditions in foreign countries be considered.

On substantially the same basis patterns, designs, drawings, and representations, showing forms, shapes, and the outward appearance of specimens and models of goods and manufactures are protected under the law of July 24, 1919, which confirms otherwise the provisions of the old Austrian law relating to the subject. In this case, however, two samples of the article or its picture along with a certificate of its identity shall be presented with the application. Protection is granted for one, two, or at most three years.—Trade Commissioner Vlademer A. Geringer.

A name should not be used; any other person with the same name may have the right to use it.

Initials cannot be registered in Great Britain nor in the Colonies; they should not be used.

The use of an invented word in connection with a patented article is objectionable because it becomes common property after the patent runs out.

Designs are very much in favor.

An invented word is discouraged because if the article becomes known by that name all rights in the trademark are lost.

Generally speaking, all marks possible of being registered in the United States can be registered abroad, with certain exceptions.

In many countries an American concern cannot register its trade-mark unless the mark is already registered in the United States. The most important of these countries in which this rule prevails are Germany, Austria, Russia, Spain, Sweden, Guatemala, Honduras, Cuba and Uruguay.

In countries like Great Britain and Colonies, Germany, Holland, Sweden, Peru, and Uruguay opposition may be made to the registration of a trade-mark by others, as in the United States.

The Chinese memory is a long one; it does not forget a trade-mark and the degree of satisfaction it has stood for. In this connection it may be well to mention the importance of trade-marks in general. The newcomer will find strongly intrenched trade-marks rather difficult to supplant. The Chinese purchaser will choose an article with a familiar trade-mark rather than take a chance with a new article that might seem superior to a foreign buyer. And while this may add to the difficulty of entering the market, it also offers a means of security in retaining trade once established. The Chinese purchaser buys almost exclusively by the brand. For example, he will often ask for the "fox" brand of chisel, paying slightly more for it than for some cheaper, newer, less-known, but perhaps better tool. In this connection, the manufacturer is urged to have his trade-mark registered in both Peking and Tokyo before putting forth his goods, as the pirating of trade-marks is common and priority of use does not avail against priority of registration; at least priority of both gives security in case legal action is necessary.

The American manufacturer, however, irrespective of whether he does his business through an agency or by direct sales, should take steps to have his trade-mark, covering the goods that he hopes to market in China, properly registered so as to guard against imitations on the part of unscrupulous manufacturers and dealers. As previously stated, the Chinese merchant lays great stress on the trade-mark or "chop," and once an article under a certain "chop" has found favor with him he will continue to purchase articles of that "chop" without asking any questions. About 20 years ago an American firm introduced its heating stoves into the markets of North China. This firm made no effort whatever to protect its trade-mark, so that today tens of thousands of native-manufactured stoves, bearing the American trade-mark, are sold in China. Ten years ago an American manufacturer of underwear had extensive sales for his wares throughout the length and breadth of the country; today 90 per cent of the goods bearing his trade-mark are imitations.

It is not only necessary to safeguard against imitation in China of products seeking a market there, but registration in Japan is also highly advisable. The registration of trade-marks in Japan may be made through a resident representative of the applicant, furnished with a power of attorney. The representative is sometimes a commercial house, sometimes a trade-mark attorney, who makes application in behalf of the applicant abroad and, upon receipt of the registration, is empowered to represent the applicant in a legal process for the protection of the mark. The customary fee is 50 yen ($25).—Miscellaneous Series No. 50, Bureau of Foreign and Domestic Commerce.

Importance of Registration

"The apparent increase in the number of unauthorized applications for the registration of American trademarks abroad calls for an emphatic reminder of the necessity of early registration of valuable trademarks, especially in those countries where the ownership of marks is based upon registration," says Commerce Reports for June 1, 1918.

"The countries of Latin America have furnished a particularly profitable field for the registration of trademarks for speculative purposes, as most of those countries grant the exclusive right to use a mark to the first applicant without regard to its prior use by another. Nearly every issue of the official bulletins of some Latin American countries contain applications for trademark registration that are evidently fraudulent or at least unauthorized. The names of automobiles, motor trucks, pharmaceutical preparations, and other articles, the sale of which depends largely upon advertising and good will have been particularly subject to misappropriation, and recently a single firm applied for the registration of the trademarks of six among the best-known American cars. If registration had been granted, it would have been practically equivalent to the acquisition of an exclusive agency for the importation of each of these six cars in one of the most important foreign markets for automobiles unless the manufacturers were willing to adopt a new trademark for that particular market.

"In another case the designation 'Ford American products' was sought to be registered in a South American country for all classes of goods. The effect of this registration would probably have been to give to the local registrant absolute control over the use of the word 'Ford' on all goods sold in that country. This latter case is illustrative of the difficulties that may arise when a trademark used in the United States by various manufacturers for different classes of goods is registered abroad in such a way as to cover several of these classes. Even if the mark is registered in good faith by one entitled to its use, the form of registration may nevertheless prevent the use of the mark on a distinct kind of goods by another manufacture except with the consent of the prior registrant.

"A somewhat different but none the less embarrassing situation may be presented when a mark is registered in the name

of the local agent of the American manufacturer or exporter. As long as the exclusive agency continues there are usually no difficulties, but should the principal desire to make a change in the agency arrangements he may find that the agent has it in his power to prevent the importation of the trademarked goods except when consigned to him or under such terms as he dictates.

"The only safe course to follow is to register trademarks promptly in the name of the manufacturer in countries where any considerable business is carried on or anticipated. Even if exportation at the present time is limited by war conditions the registration of the mark abroad may well be regarded as one of the fundamental steps of preparation for trade after the war. It is, perhaps, of even greater importance now than under normal conditions, in view of the reported activity of enemy agents and others in appropriating American trade marks. The expense of registration usually represents only a reasonable outlay for the protection of good will, and it is suggested that any article which is worth advertising abroad is worth protecting by means of trademark registration.

"Steps are now being taken toward the immediate establishment of the International Bureau for Trade-Mark Registration at Habana. On March 14, 1918, the President of Cuba transmitted to the National Congress a message reviewing the action taken and requesting the appropriation of $10,000 as the contribution of the Cuban Government toward the initial expenses of the bureau. The expenses are to be borne by the various governments in the same proportion as that established by the Pan-American Union at Washington. When the necessary arrangements have been completed the payment of a single fee of $50 will sceure registration for a trademark in all of the countries represented in the Bureau, including Costa Rica, Cuba, Dominican Republic, Guatemala, Honduras, Nicaragua and Panama, and such others as may later be added, as well as in the countries of South America when the second bureau shall have been established at Rio de Janeiro.

"The Government of the United States has since made an appropriation of $56,380 toward the expenses of operation, and

the new bureau is reported to be accepting applications for the international registration of American trademarks. Applications should be sent to the United States Patent Office at Washington."

CHAPTER XXIV

PUBLICITY IN FOREIGN COUNTRIES

American industry should have a publicity agent in foreign countries.

The functions of this publicity agent should be to disseminate American intelligence in every foreign country in the world. He should keep the foreign world in close touch with the progress and development of this country. He should be prepared to combat the evil propaganda our trade rivals are sure to spread wherever American business interferes with their interests.

The necessity of publicity in foreign countries was fully demonstrated during America's participation in the World War. When the vicious German propaganda began to spread to all countries of the globe, attacking America's motives in entering the struggle, it became evident in this country that this campaign of untruth had to be stopped. The government at once organized a foreign publicity service that reached every corner of the globe where people could read and understand—and the result of this campaign was most gratifying. When the war came to an end this publicity service was dropped, and American interests engaged in foreign trade abroad instantly recognized the necessity of keeping up in one form or another a publicity program that would place us in the true light in regard to our motives and aims in connection with foreign matters. Efforts have been made from time to time to revive the work that the government had dropped at the conclusion of the war but it seems that they have been made in vain.

American Press Associations Now Active in Foreign Field

A redeeming feature of the situation, however, lies in the extension of the service of the great American press associa-

tions to foreign countries. These organizations are responsible for the presentation of more American news in foreign newspapers than ever before in their history. Particularly in South America, where in the past the greater percentage of the news came from Europe before the war, there has been a great improvement in the use of American news in the press of that continent. Today in the great newspapers of South America one may find a reasonable share of the space devoted to American cable dispatches sent out by the American press associations. Before the entrance of the American concerns in the southern field, whatever little American news did creep into the South American newspapers came by way of Europe, and as a consequence much of it was richly colored.

The American press associations, however, cannot be expected to carry on a publicity campaign for American interests abroad. Their chief function is to distribute news, and the moment they deviate from this function their efficiency in this detail is likely to suffer. Nor must any organization or set of organizations that may be inclined to take up this tremendous task attempt to compete with these press associations. Instead, their work should supplement the efforts of these quasi-public concerns without encroaching upon their basic functions.

There is no question that there is a field for this sort of work in foreign countries where so often misunderstandings arise concerning the motives of the American people in their activities in connection with international affairs. These misunderstandings are partly due to misinformation, partly due to inaccuracy of statements, and partly due to vicious propaganda on the part of our enemies. This situation had much to do with the organization of the government's publicity work abroad during the war. It was essential in this case to fully explain our aims and ideals in connection with the war in order that the foreign people, who had in a measure succumbed to the perverted German propaganda, could understand our true position in the great struggle.

With peace at hand and competition among nations intensified more than ever in their struggle for commercial supremacy, it is more than certain that there will be a recurrence of this propaganda against the United States in some form or another, and this country must be prepared

to meet it. As a matter of fact immediately after the war attacks upon America had already begun. An instance in point may be given to illustrate the ruthlessness with which our competitors have already begun to fight American interests: The Webb-Pomerene law was apparently enacted to permit manufacturers to combine for export trade for the purpose of economizing in overhead expenses, and expediting the sale of goods abroad. However, the aims of our manufacturers and exporters were questioned in certain sections of South America when a partial text of the law had been received there Our competitors spread reports to the effect that the Webb law was purely a device by American capitalists to monopolize foreign markets, and to tighten their grip on foreign customers to such a degree that they could sell at their own prices. Without entering into the merits of the Webb Act, it is apparent that those who are opposed to American advances in foreign fields, are willing to grab any straw within reach to use as a basis for attacking our motives. It is doubtful if these attacks were ever answered.

Instances such as this are occurring in all parts of the world right along. American travelers returning home after months on the road in foreign countries have related similar instances in which American interests have been the subject of vicious attacks.

Publicity Machine Should Be Organized

It seems that, in view of these underhand methods of combatting American competition, our manufacturers and exporters who are most vitally interested in the establishment of our good will and confidence in foreign countries where we are desirous of building up trade, and where these unfriendly activities are manifest, should take the initiative in organizing a gigantic publicity machine along the lines followed by the defunct Committee on Public Information of the United States Government for the purposes of disseminating information in foreign lands. This machine or bureau should be established in the principal American port, and should have cable connections with all the principal markets of the world. It should be in charge of competent and intelligent newspaper men who understand how to prepare and to distribute news matter. There should be representatives in foreign countries to receive these cables or any other material that may be sent from the home office, and to see that intelligent distribution to the press of the country in which they are located, is effected.

Not only should the publicity bureau confine its activities to the despatching of cable stories to foreign countries but it should also conduct a mail service composed of material intelligently collected in this country for the use of the press abroad. There is a wealth of material in this country of tremendous value for this kind of publicity work that the foreign newspapers, generally speaking, would be only too glad to use, if someone would mail it to them.

The publicity bureau should also perform the functions of an information bureau. It should keep foreign countries in close touch with legislation directly or indirectly connected with international trade. It should see to it that where there is some doubt as to the interpretation of certain American activities, a full explanation is given out to the foreign press without delay.

Articles describing our various industries, showing how American products are made; articles explaining the advantages of highways, safety-first devices, systems of sanitation, central heating plants, modern plumbing, etc.—all these are of vital interest to people living in foreign countries and whose standard of comfort is not as high as that which we enjoy in this country.

Supplementing this cable and mail service the motion picture could be brought into play. In fact, a publicity campaign would not be complete without the motion picture. As a device to interpret American enterprise, and to visualize the immensity of our industrial machine the motion picture is unequalled. It tells the story better than the words of any writer. Already, individual American industries are turning to the motion picture to demonstrate their products abroad with most gratifying results. With the number of motion picture theaters growing in all parts of the world the use of the "movies" for publicity work is practical.

A publicity bureau of this sort, using the printed word and the motion picture for the dissemination of information

abroad would be of inestimable value to American interests. It would seem that such worthy organizations as the Foreign Trade Council or the American Manufacturers Export Association, or some other competent organization closely connected with foreign commerce should take the lead to plan some form of organization to handle American publicity abroad in the interests of American business along some such lines as have been suggested in this chapter.

The results would be worth the effort.

UNITED STATES EXPORTS, BY GRAND DIVISIONS

Fiscal Year	Exports to— Europe	No. America	So. America	Asia	Oceania	Africa
1870....	$420,184,014	$68,962,006	$21,651,459	$10,972,064	$4,334,991	$3,414,768
1871....	479,738,693	77,348,184	19,599,581	7,781,138	3,307,841	3,203,113
1872....	450,167,843	73,230,648	27,006,890	13,965,166	3,613,780	4,005,140
1873....	539,061,323	81,629,759	29,661,967	18,727,094	4,677,457	3,524,474
1874....	572,511,479	94,942,138	26,747,020	15,087,695	4,493,916	3,037,144
1875....	533,544,921	86,166,454	24,096,950	13,972,305	4,276,305	3,470,782
1876....	538,322,835	79,926,699	22,862,746	15,528,567	4,771,212	4,814,382
1877....	557,244,615	83,058,656	22,577,154	27,149,945	7,345,929	4,271,788
1878....	597,774,959	78,762,184	24,690,478	28,998,343	8,607,644	4,770,729
1879....	594,189,272	67,598,525	23,437,376	11,752,969	9,900,550	4,758,701
1880....	719,433,788	69,437,783	23,190,220	11,645,703	6,846,698	5,084,466
1881....	766,113,798	83,156,899	25,304,846	12,917,348	9,506,577	5,377,878
1882....	600,100,498	85,793,255	27,224,850	18,393,671	12,460,664	6,569,319
1883....	659,867,396	99,428,476	29,570,659	16,348,742	13,571,721	5,052,480
1884....	583,795,462	92,217,190	31,226,934	16,913,978	13,105,604	3,254,441
1885....	599,240,748	76,764,748	27,734,857	20,739,972	13,605,468	4,103,962
1886....	541,373,039	71,980,400	26,131,991	21,980,999	14,777,407	3,280,994
1887....	575,300,326	73,425,948	30,744,497	19,322,172	13,867,552	3,552,716
1888....	549,092,503	79,995,497	29,579,227	18,929,152	14,746,065	3,612,063
1889....	578,902,520	89,550,476	35,021,017	18,439,626	16,239,403	4,248,333
1890....	683,736,397	94,100,410	38,752,648	19,696,820	16,460,269	5,082,140
1891....	704,798,047	96,549,129	33,708,290	25,553,308	18,621,801	5,250,235
1892....	850,623,150	105,566,184	33,147,614	19,590,350	15,572,767	5,778,083
1893....	661,976,910	119,788,889	32,639,077	16,222,354	11,199,477	5,838,487
1894....	700,870,822	119,693,212	33,212,310	20,872,761	11,914,182	5,577,285
1895....	627,927,692	108,575,594	33,525,935	17,325,057	13,109,231	7,074,656
1896....	673,043,753	116,567,496	36,297,671	25,630,029	17,197,229	13,870,760
1897....	813,385,644	124,958,461	33,768,646	39,274,905	22,652,773	16,953,127
1898....	973,806,245	139,627,841	33,821,701	44,707,791	22,003,022	17,515,730
1899....	936,602,093	157,931,707	35,659,902	48,360,161	29,875,015	18,594,424
1900....	1,040,167,763	187,594,625	38,945,763	64,913,807	43,391,275	19,469,849
1901....	1,136,504,605	196,534,460	44,400,195	49,390,712	35,392,401	25,542,618
1902....	1,008,033,981	203,971,080	38,043,617	63,944,077	34,258,041	33,468,605
1903....	1,029,256,657	215,482,769	41,137,872	58,359,016	37,468,512	38,436,863
1904....	1,057,930,131	234,909,959	50,755,027	60,151,347	32,850,681	24,230,126
1905....	1,020,972,641	260,570,235	56,894,131	128,504,610	33,079,446	18,540,603
1906....	1,200,166,036	308,382,982	75,159,781	105,451,610	35,141,751	19,562,340
1907....	1,298,452,380	349,840,641	82,157,174	92,703,664	41,186,193	16,511,026
1908....	1,283,600,155	324,674,719	83,583,874	101,784,832	46,789,201	20,340,565
1909....	1,146,755,321	309,476,694	76,561,680	71,792,187	41,389,788	17,035,434
1910....	1,135,914,551	385,520,069	93,246,820	60,861,813	50,890,087	18,551,380
1911....	1,308,275,778	457,950,179	108,894,894	85,422,428	66,060,813	23,607,107
1912....	1,341,732,789	516,837,597	132,310,451	117,461,635	71,936,513	24,043,424
1913....	1,479,074,761	617,413,013	146,147,993	115,056,620	79,102,845	29,088,917
1914....	1,486,498,729	528,644,962	124,539,909	113,425,616	83,568,417	27,901,515
1915....	1,971,434,687	477,075,727	99,323,957	114,470,493	77,764,725	28,519,751
1916....	2,999,305,097	733,024,674	180,175,374	278,610,881	98,775,828	43,591,031
1917....	4,324,512,661	1,163,758,100	259,480,371	380,249,708	109 314,490	52,733,064
1918....	3,738,231,162	1,237,720,614	314,564,482	447,456,515	134,889,500	55,423,368

UNITED STATES AND LATIN AMERICAN COMMERCE

Fiscal Year	Imports into the United States: Total	From Latin America	Pct. from Latin America	Exports from the United States: Total	To Latin America	Pct. to Latin America
1893	$866,400,922	$225,906,702	26.08	$847,665,194	$88,503,514	10.44
1894	654,994,622	218,362,321	33.34	892,140,572	78,924,298	8.85
1895	731,969,965	196,516,050	26.85	807,538,165	74,422,739	9.22
1896	779,724,674	180,022,806	23.09	882,606,938	76,611,305	8.68
1897	764,730,412	156,661,864	20.49	1,050,993,556	78,320,416	7.45
1898	616,049,654	136,854,235	22.21	1,231,482,330	74,030,291	6.01
1899	697,148,489	148,150,097	21.25	1,227,023,302	88,307,187	7.20
1900	849,941,184	167,180,295	19.67	1,394,483,082	110,674,490	7.94
1901	823,172,165	198,233,744	24.08	1,487,764,991	118,772,158	7.98
1902	903,320,948	208,510,497	23.08	1,381,719,401	115,132,413	8.33
1903	1,025,719,237	225,923,096	22.03	1,420,141,679	115,053,595	8.10
1904	991,087,371	256,227,244	25.85	1,460,827,271	136,615,381	9.35
1905	1,117,513,071	302,266,593	27.05	1,518,561,666	159,,156,657	20.48
1506	1,226,562,446	294,049,326	23.97	1,743,864,500	209,043,359	11.99
1907	1,434,421,425	334,572,126	23.33	1,880,851,078	229,966,603	12.23
1908	1,194,341,792	273,176,971	22.87	1,860,773,346	219,968,513	11.82
1909	1,311,920,224	324,154,136	24.71	1,663,012,204	201,912,874	12.14
1910	1,556,947,430	392,955,257	25.24	1,744,984,720	242,123,502	13.87
1911	1,527,226,105	371,300,234	24.31	2,049,320,199	273,525,344	13.35
1912	1,653,264,934	423,037,208	25.59	2,204,322,409	196,141,651	13.43
1913	1,813,008,234	442,419,973	24.40	2,465,884,149	323,775,885	13.13
1914	1,893,925,657	469,082,667	24.77	2,364,579,148	282,070,153	11.93
1915	1,674,169,740	557,413,053	33.29	2,768,589,340	251,469,431	9.08
1916	2,197,883,510	760,132,729	34.58	4,333,482,885	411,193,859	9.40
1917	2,659,355,185	962,860,611	36.21	6,290,048,394	581,954,695	9.25
1918	2,946,059,403	985,160,871	33.44	5,928,285,641	725,820,970	12.24

Includes Mexico, Central America, South America, and the West Indies, with exception of British, Danish, Dutch, and French.

Imports of United States from and exports of United States to the separate Latin American countries in year ended June 30, 1918, were: Imports from—Costa Rica, $7,615,482; Guatemala, $7,822,960; Honduras, $5,437,809; Nicaragua, $4,590,037; Panama, $7,845,390; Salvador, $6,870.432; Mexico, $140,801,097; Cuba, $264,024,006; Dominica, $8,061,412; Haiti, $4,815,-544; Argentina, $195,633,348; Bolivia, $122,917,000; Brazil, $113,511,954; Chile, $141,075,704; Colombia, $25,975,988; Ecuador, $10,887,968; Paraguay, $69,797; Peru, ,$41,439,218; Uruguay, $23,530,682; Venezuela, $13,287,738.

Exports from United States to Costa Rica, $1,903,224; Guatemala, $6,292,760; Honduras, $4,618,729; Nicaragua, $4,377,688; Panama, $23,638.116; Salvador, $3,479,332; Mexico, $106,893,653; Cuba, $235,682,045; Dominica, $16,011,019; Hayti, $8,359,922; Argentina, $109,444,001; Bolivia, $3,581,396 Brazil, $66,270,046; Chile, $63,529,124; Colombia, $10,992,199; Ecuador $4,830,468; Paraguay, $672,454; Peru, $22,011,583; Uruguay, $18,061,880; Venezuela, $7,823,007.

PRINCIPAL PORTS OF THE WORLD

(Compiled by the United States Department of Commerce. .000 omitted.)

Country and Port	Yr.	Imports	Exports	Total Commerce
EUROPE		Dollars	Dollars	Dollars
Unit. Kingdom: London	1916	1,748,933	917,060	2,665,993
Liverpool	1916	1,362,735	954,624	2,317,359
Hull	1916	263,547	158,702	422,249
Manchester	1916	233,435	107,950	341,385
Glasgow	1916	164,508	204,759	369,267
Southampton	1916	58,824	23,102	81,926
Cardiff	1916	43,991	65,711	109,702
Belfast	1916	47,990	1,996	49,986
Germany: Hamburg	1913	1,084,325	817,275	1,901,600
Bremen	1913	370,608	211,421	582,029
Belgium: Antwerp	1912	623,164	588,181	1,211,345
France: Marseilles	1913	389,639	365,733	755,372
Havre	1913	357,924	258,795	616,719
Dunkirk	1913	187,538	36,201	223,739
Bordeaux	1913	89,163	78,606	167,769
Italy: Genoa	1915	387,600	120,934	508,534
Naples	1915	90,945	31,768	122,713
Turkey: Constantinople	1912	74,360	28,600	102,960
Aust.-Hungary: Trieste	1913	175,997	161,430	337,428
Fiume	1912	43,833	53,923	97,756
Russia: Petrograd	1915	14,575	16,841	31,416
Riga	1915	463	103	566
Odessa	1915	721	51	772
Vindau	1914	4,061	27,852	31,913
Libau	1914	15,703	10,590	26,293
Novorossisk	1914	9,573	35,858	45,431
Nikolaiev	1914	873	18,442	19,315
Batum	1914	4,469	14,593	19,062
Vladivostok	1914	26,481	1,752	28,233
Spain: Barcelona	1913	79,428	29,839	109,267
Valencia	1913	14,342	19,162	33,504
Bilbao	1913	22,272	9,929	32,201
OCEANIA				
Australia: Sydney	1916	157,050	193,676	350,726
Melbourne	1916	129,430	67,034	196,464
AMERICA		Dollars	Dollars	Dollars
Unit. States: New York	1917	1,338,199	3,053,120	4,391,319
Galveston	1917	8,505	266,279	274,784
New Orleans	1917	104,517	303,510	408,027
Massachusetts	1917	217,905	225,578	443,483
Philadelphia	1917	109,486	464,471	573,957
Maryland	1917	43,973	374,033	418,006
San Francisco	1917	144,027	142,890	286,917
Washington	1917	198,321	177,650	375,971
Virginia	1917	19,330	137,012	156,342
Buffalo	1917	67,715	217,120	284,835
Michigan	1917	41,749	290,376	332,125
St. Lawrence	1917	98,660	103,939	202,599
Canada: Montreal	1917	222,119	384,314	606,432
Mexico: Vera Cruz	1913	40,733	42,118	82,851
Tampico	1913	22,825	40,379	32,204
Cuba: Havana	1916	183,154	89,006	272,159
Argentina: Buenos Aires	1916	176,982	263,186	440,168

PRINCIPAL PORTS OF THE WORLD (continued)

(Compiled by the United States Department of Commerce. .000 omitted)

Country and Port	Yr.	Imports	Exports	Total Commerce
EUROPE		Dollars	Dollars	Dollars
Brazil: Santos	1916	52,093	118,229	170,322
Rio de Janeiro	1916	86,597	47,604	134,201
Chile: Valparaiso	1915	26,306	11,929	38,235
Antofagasta	1915	8,539	22,057	30,596
Peru: Callao	1916	29,277	32,305	61,581
Uruguay: Montevideo	1911	42,627	32,167	74,794
ASIA				
China: Shanghai	1916	171,493	177,209	348,703
Canton	1916	21,487	45,620	67,106
Tientsin	1916	36,718	17,702	54,420
Japan: Yokohama	1916	104,554	248,080	352,634
Kobe	1916	186,488	165,056	351,544
Osaka	1916	40,867	70,690	111,557
Brit. Colonies: Singapore	1916	244,589	214,600	459,189
Calcutta	1916	167,667	285,859	453,525
Bombay	1916	143,422	143,846	187,268
AFRICA				
Egypt: Alexandria	1916	106,109	178,086	284,195

TEMPERATURE AND RAINFALL OF FOREIGN CITIES

City or Place	Mean Annual Temperature	Annual Average Rainfall inches
Alexandria	69.0	8
Amsterdam	49.9	26
Archangel	33.0	16
Athens	63.0	16
Bagdad	71.6	9
Berlin	48.2	23
Bermuda	72.0	55
Berne	46.0	46
Bombay	77.7	75
Brussels	50.0	29
Buenos Aires	62.8	34
Calcutta	79.5	65
Cape Town	62.0	25
Cherrapongee	....	458
Christiania	41.5	23
Constantinople	57.7	29
Copenhagen	45.3	22
Delhi	77.0	28
Dublin	50.1	28
Edinburgh	47.1	26
Geneva	52.7	82
Glasgow	49.8	44
Havana	76.6	52
Honolulu	73.9	39
Jerusalem	60.6	25
Lima	66.7	2
Lisbon	60.1	29
London	50.8	25
Madrid	56.1	9
Melbourne	57.0	29
Mexico	59.7	23
Montevideo	62.0	44
Montreal	41.9	41
Munich	48.4	35
Nice	58.0	29
Manila	80.1	76
Paris	50.0	22
Peking	53.0	25
Petrograd	39.6	17
Quebec	40.3	40
Rio de Janeiro	72.7	43
Rome	60.5	30
Stockholm	42.3	17
The Hague	52.0	26
Tokio	56.4	58
Valparaiso	57.7	20
Venice	55.4	26
Vera Cruz	77.0	180
Vienna	48.6	25

TABLE FOR CONVERSION OF POUNDS AVOIRDUPOIS INTO KILOGRAMS

To find the weight in kilos of a shipment of merchandise weighing say, 10,471 lbs., find the number of pounds in the column marked "lbs." The equivalent number of kilos is in the following column——thus:

Lbs.	10,000	=	Kilos	4536.00
"	400	=	"	181.44
"	71	=	"	32.206
Lbs.	10,471	=	Kilos	4749.646

To find the weight in kilos of Lbs. 100,000, take the kilo equivalent of Lbs. 10,000, i. e., Kilos 4536.00, and move the decimal point one figure to the right, thus: Lbs. 100,000.=Kilos 45,360.00.

Lbs.	equal	Kilos	Lbs.	equal	Kilos
1	"	0.4536	48	"	21.773
2	"	0.9072	49	"	22.226
3	"	1.3608	50	"	22.680
4	"	1.8144	51	"	23.134
5	"	2.2680	52	"	23.587
6	"	2.7216	53	"	24.041
7	"	3.1752	54	"	24.494
8	"	3.6288	55	"	24.948
9	"	4.0824	56	"	25.402
10	"	4.5360	57	"	25.855
11	"	4.990	58	"	26.309
12	"	5.443	59	"	26.762
13	"	5.897	60	"	27.216
14	"	6.350	61	"	27.670
15	"	6.804	62	"	28.123
16	"	7.258	63	"	28.577
17	"	7.711	64	"	29.030
18	"	8.165	65	"	29.484
19	"	8.618	66	"	29.938
20	"	9.072	67	"	30.391
21	"	9.526	68	"	30.845
22	"	9.979	69	"	31.298
23	"	10.433	70	"	31.752
24	"	10.886	71	"	32.206
25	"	11.340	72	"	32.659
26	"	11.794	73	"	33.113
27	"	12.247	74	"	33.566
28	"	12.701	75	"	34.020
29	"	13.154	76	"	34.474
30	"	13.608	77	"	34.927
31	"	14.062	78	"	35.381
32	"	14.515	79	"	35.834
33	"	14.969	80	"	36.288
34	"	15.422	81	"	36.742
35	"	15.876	82	"	37.195
36	"	16.330	83	"	37.649
37	"	16.783	84	"	38.102
38	"	17.237	85	"	38.556
39	"	17.690	86	"	39.010
40	"	18.144	87	"	39.463
41	"	18.598	88	"	39.917
42	"	19.051	89	"	40.370
43	"	19.505	90	"	40.824
44	"	19.958	91	"	41.278
45	"	20.412	92	"	41.731
46	"	20.886	93	"	42.185
47	"	21.319	94	"	42.638

TABLE FOR CONVERSION OF POUND AVOIRDUPOIS INTO KILOGRAMS (Continued)

Lbs.	equal	Kilos	Lbs.	equal	Kilos
95	"	43.092	8000	"	3628.80
96	"	43.546	9000	"	4082.40
97	"	43.999	10000	"	4536.00
98	"	44.453	11000	"	4990.00
99	"	44.906	12000	"	5443.00
100	"	45.36	13000	"	5897.00
200	"	90.72	14000	"	6350.00
300	"	136.08	15000	"	6804.00
400	"	181.44	16000	"	7258.00
500	"	226.80	17000	"	7711.00
600	"	272.16	18000	"	8165.00
700	"	317.52	19000	"	8618.00
800	"	362.88	20000	"	9072.00
900	"	408.24	25000	"	11340.00
1000	"	453.60	30000	"	13608.00
2000	"	907.20	40000	"	18144.00
3000	"	1360.80	50000	"	22680.00
4000	"	1814.40	60000	"	27216.00
5000	"	2268.00	70000	"	31752.00
6000	"	2721.60	80000	"	36288.00
7000	"	3175.20	90000	"	40824.00

VALUES OF FOREIGN COINS

Country	Legal standard	Monetary unit	Value in terms of U. S.	Remarks*
Argentine Rep.	Gold	Peso	$0.9648	Currency: Depreciated paper, convertible at 44 per cent. of face value; exchange rate about $0.44.
Austria-Hungary	Gold	Krone	.2026	Greatly depreciated; no quotations.
Belgium	Gold and silver	Franc	.1930	Member Latin Union; gold is actual standard. Exchg. value, $0.1613.
Bolivia	Gold	Boliviano	.3893	12½ bolivianos equal 1 pound sterling. Exchg. rate about $0.3785.
Brazil	Gold	Milreis	.5462	Currency: Government paper. Exchange rate about 25.65 cents to the milreis.
British Colonies in Australasia and Africa	Gold	Pound sterling	4.8665	
Canada	Gold	Dollar	1.0000	
Central American States:				
Costa Rica	Gold	Colon	.4653	Exchange rate $0.25=1 colon.
Brit. Honduras	Gold	Dollar	1.0000	
Nicaragua	Gold	Cordoba	1.0000	Exchange rate $0.99.
Guatemala				Guatemala: Currency, inconvertible paper; exchange rate about $0.40.
Honduras	Silver	Peso	.7234	Honduras: Currency, bank notes; exchange rate about $0.55.
Salvador				Salvador: Currency, bank notes convertible into silver on demand; exchange rate about $0.48.
Chile	Gold	Peso	.3650	Currency: Inconvertible paper; exchange rate about $0.185.
China	Silver	Tael	Amoy 1.1858	The tael is a unit of weight; not a coin. The customs unit is the Haikwan tael. The values of other taels are based on their relation to the value of the Haikwan tael.
			Canton 1.1823	
			Chefoo 1.1342	
			Chin Kiang 1.1685	
			Fuchau 1.0970	
			Haikwan (customs) 1.2066	The Yuan silver dollar of 100 cents is the monetary unit of the Chinese Republic; it is equivalent to .644+ of the Haikwan tael.

VALUES OF FOREIGN COINS (Continued)

Country	Legal standard	Monetary unit		Value in terms of U. S.	Remarks*
China	Silver	Tael	Hankow	1.1096	The tael is a unit of weight; not a coin. The customs unit is the Haikwan tael. The values of other taels are based on their relation to the value of the Haikwan tael.
			Kiaochow	1.1492	
			Nankin	1.1735	
			Niuchwang	1.1121	
			Ningpo	1.1402	
			Peking	1.1561	
			Shanghai	1.0832	
			Swatow	1.0955	
			Takau	1.1934	
			Tientsin	1.1492	
		Dollar	Yuan	.7771	The Yuan silver dollar of 100 cents is the monetary unit of the Chinese Republic; it is equivalent to .644+of the Haikwan tael.
			Hongkong	.7800	
			British	.7800	
			Mexican	.7857	
Colombia	Gold	Dollar		.9733	Currency: Government paper and gold; exchange rate about $1.08 to 1 gold peso.
Cuba	Gold	Peso		1.000	
Denmark	Gold	Krone		.2680	Exchange rate $0.256=1 krone.
Ecuador	Gold	Sucre		.4867	Exchange rate $0.42.
Egypt	Gold	Pound (100 piasters)		4.9431	The actual standard is the British pound sterling, which is legal tender for 97½ piasters.
Finland	Gold	Markka		.1930	Exchange rate $0.1025=1 markka.
France	Gold and silver	Franc		.1930	Member Latin Union; gold is actual standard. Ex. value $0.1667.
German Empire	Gold	Mark		.2382	Greatly depreciated; no quotation.
Great Britain	Gold	Pound sterling		4.8665	Exchange value $4.59.
Greece	Gold and silver	Drachma		.1930	Member Latin Union; gold is actual standard. Ex. value $0.1875.
Haiti	Gold	Gourde		.2500	Currency: Inconvertible paper; exchange rate approximately $0.183.
India (British)	Gold	Rupee		.3244	(15 rupees equal 1 pound sterling.) Exchange rate $0.3575.
Indo-China	Silver	Piaster		.7812	
Italy	Gold and silver	Lira		.1930	Member Latin Union; gold is actual standard. Ex. value $0.13.

VALUES OF FOREIGN COINS (Continued)

Country	Legal standard	Monetary unit	Value in terms of U. S.	Remarks*
Japan	Gold	Yen	.4985	Exchange value $0.5075.
Liberia	Gold	Dollar	1.0000	Currency: Depreciated silver token coins. Customs duties are collected in gold.
Mexico	Gold	Peso	.4985	Exchange value silver peso $0.775; gold peso $0.54.
Netherlands	Gold	Guilder (Florin)	.4020	Exchange value $0.4025.
Newfoundland	Gold	Dollar	1.0000	
Norway	Gold	Krone	.2680	Exchange rate $0.256=1 krone.
Panama	Gold	Balboa	1.0000	
Paraguay	Gold	Peso (Argentine)	.9648	Currency: Depreciated Paraguayan paper; conversion rate about 3,500 per cent.
Persia	Gold	Achrefi	.0959	
	Silver	Kran	.1332	Currency: Silver circulating above its metallic value; exchange value of silver kran approximately $0.179.
Peru	Gold	Libra	4.8665	Exchange rate about $5.0375.
Philippine Islands	Gold	Peso	.5000	
Portugal	Gold	Escudo	1.0805	Currency: Inconvertible paper; exchange rate about $0.70.
Roumania	Gold	Leu	.1930	Exchange rate about $0.144.
Russia	Gold	Ruble	.5146	Exchange rate $0.125=1 ruble (nominal).
Santo Domingo	Gold	Dollar	1.0000	
Servia	Gold	Dinar	.1930	Exchange rate about $0.144.
Siam	Gold	Tical	.3709	
Spain	Gold and silver	Peseta	.1930	Valuation is for gold peseta; currency is notes of the bank of Spain, exchange value approximately $0.2025.
Straits Settlem'ts	Gold	Dollar	.5678	Exchange rate $0.56.
Sweden	Gold	Krona	2.6800	Exchange rate $0.26=1 krona.
Switzerland	Gold	Franc	.1930	Member Latin Union; gold is actual standard. Ex. value $0.20.
Turkey	Gold	Piaster	.0440	100 piasters equal to the Turkish £.
Uruguay	Gold	Peso	1.0342	Exchange rate $1.1975.
Venezuela	Gold	Bolivar	.1930	Exchange rate about $0.2325.

*This table was furnished by the Journal of the American Bankers' Association. The exchange rates shown under this heading are New York quotations as of May, 1919, and are given merely as an indication of the values of currencies which are fluctuating in their relation to legal standards.

PANAMA CANAL TRAFFIC

Year (Fiscal)	Atlantic to Pacific: Vessels	Cargo Tons	Net Tons	Cargo Tons	Pacific to Atlantic: Vessels	Gross Tons	Net Tons	Cargo Tons
1915 ..	530	2,657,865	1,884,728	2,125,735	558	2,758,922	1,958,307	2,844,057
1916 ..	411	1,912,846	1,308,231	1,434,236	376	1,683,683	1,171,531	1,705,810
1917 ..	905	4,170,733	2,925,414	3,076,843	971	4,360,088	3,083,944	4,152,412
1918 ..	921	3,938,042	2,750,378	2,639,466	1,209	5,433,297	3,908,480	4,922,647
1919 ..	921	3,460,417	2,678,579	2,778,065	1,186	4,418,186	3,443,006	4,029,742
Total	3,688	16,139,903	11,551,330	12,054,345	4,300	18,654,176	13,565,268	17,654,668

TOTAL

Vessels	Gross Tons	Net Tons	Cargo Tons
1,088	5,416,787	3,843,035	4,969,792
787	3,596,529	2,479,762	3,140,046
1,876	8,530,821	6,009,358	7,229,255
2,130	9,371,339	6,658,858	7,562,113
2,107	7,876,703	6,131,575	6,807,807
7,988	34,794,079	25,116,598	29,709,013

DISTANCES FROM PANAMA CANAL TO CHIEF PORTS OF THE WORLD

Distance to nearest Canal terminal by usual routes, in nautical miles, from following ports (length of Canal, 34 nautical miles):

Montreal, Can.	3,160	La Guayra, Venezuela	841
Halifax, N. S.	2,317	Georgetown, British Guiana	1,535
Portland, Me.	2,198	Paramaribo, Dutch Guiana	1,648
Boston, Mass.	2,157	Para, Brazil	2,374
New York, N. Y.	1,974	Pernambuco, Brazil	3,458
Philadelphia, Pa.	1,946	Rio de Janeiro, Brazil	4,349
Baltimore, Md.	1,901	Buenos Ayres, Argentina	5,450
Norfolk, Va.	1,779	Ascension Island	4,212
Wilmington,, N. C.	1,730	St. Helena Island	4,878
Charleston, S. C.	1,564	Cape Town, Africa	6,574
Savannah, Ga.	1,607	Monrovia, Liberia	4,148
Jacksonville, Fla.	1,535	Freetown, Sierra Leone	3,983
Key West, Fla.	1,065	St. Vincent, C. V. I.	3,268
Mobile, Ala.	1,393	Funchal, Madeira	3,859
New Orleans, La.	1,403	Fayal, Azores	3,288
Galveston, Tex.	1,493	Gibraltar (Strait)	4,343
Tampico, Mexico	1,485	Marseilles, France	5,036
Tuxpam, Mexico	1,455	Genoa, Italy	5,203
Vera Cruz, Mexico	1,420	Naples, Italy	5,325
Belize, British Honduras	816	Constantinople, Turkey	6,166
Puerto Barrios, Guatemala	780	Odessa, Russia	6,509
Truxillo, Honduras	622	Port Said, Egypt	6,268
Bluefields, Nicaragua	276	Lisbon, Portugal	4,205
Port Limon, Costa Rica	192	Bordeaux, France	4,598
Bocas del Toro, Panama	144	Havre France	4,610
Havana, Cuba	1,003	Bishops Rock, Scilly Island	4,356
Bermuda Islands	1,643	Liverpool, England	4,548
Kingston, Jamaica	551	Glasgow, Scotland	4,492
Port au Prince, Haiti	774	Plymouth, England	4,455
San Juan, Porto Rico	993	London, England	4,763
St. Thomas, Virgin Island	1,029	Antwerp Belgium	4,808
Barbados, West Indies	1,237	Amsterdam, Holland	4,832
Port of Spain, Trinidad	1,159	Hamburg, Germany	5,070
Curacao	699	Copenhagen, Denmark	5,350
Cartagena, Colombia	281	Christiana, Norway	5,237

PANAMA CANAL TRAFFIC (Continued)

DISTANCES FROM PANAMA CANAL TO CHIEF PORTS OF THE WORLD

Distances to nearest Canal terminal by usual routes, in nautical miles, from following ports (length of Canal, 34 nautical miles):

Stockholm, Sweden	5,897	Antofagasta, Chile	2,140
Petrograd, Russia	6,282	Valparaiso, Chile	2,616
Bergen, Norway	5,295	Coronel, Chile	2,822
Archangel, Russia	6,900	Punta Arenas, Chile	3,943
Sitka, Alaska	4,547	Cape Horn, Chile	4,260
Vancouver, B. C.	4,032	Galapagos Islands	864
Seattle, Wash.	4,021	Marquesas Islands	3,826
Port Townsend, Wash.	3,985	Christmas Islands	4,752
Astoria, Ore.	3,775	Honolulu, Hawaii	4,685
Portland, Ore.	3,869	Midway Islands	5,707
San Francisco, Cal.	3,245	Yokohama, Japan	7,682
Los Angeles, Cal.	2,913	Vladivostok, Siberia	7,833
San Diego, Cal.	2,843	Shanghai, China	8,556
Magdalena Bay, Mexico	2,265	Hongkong, China	9,195
Mazatan, Mexico	2,006	Manila P. I.	9,347
Acapulco, Mexico	1,426	Singapore, S. S.	10,505
Salina Cruz, Mexico	1,170	Batavia, Java	10,610
San Jose, Guatemala	886	Port Apra, Guam	7,989
La Union, Salvador	748	Caroline Islands (Ponape)	7,321
Amapala, Honduras	745	Marshall Islands	7,041
Corinto, Nicaragua	683	Fiji Islands (Levuka)	6,288
Puntarenas, Costa Rica	471	Samoa (Apia)	5,710
Pedregal, Panama	243	Tahiti, Society Islands	4,486
Buenaventura, Colombia	356	Sydney, Australia	7,674
Guayaquil, Ecuador	793	Melbourne, Australia	8,255
Callao, Peru	1,346	Wellington, New Zealand	6,505
Iquique, Chile	1,778		

FOREIGN WEIGHTS AND MEASURES

Denominations	Where Used	American Equivalents
Almude	Portugal	4,422 gals.
Ardeb	Egypt	7.6907 bu.; and, at Cairo, it equals 4.92 Imp. bu., or 5.07 Winch'r bu.
Are	Metric	0.02471 acre.
Arobe	Paraguay	25 lbs.
Arratel or libra	Portugal	1.011 lbs.
Arroba (dry)	Argentine Republic	25.3175 lbs.
"	Brazil	32.38 lbs.
"	Cuba	25.3664 lbs.
"	Portugal	32.38 lbs.
"	Spain	25.36 lbs.
"	Venezuela	25.4024 lbs.
Arroba (liquid)	Cuba, Spain and Venezuela	4,263 gals.
Arshine	Russia	28 in.
Arshine (sq.)	"	5.44 sq. ft.
Artel	Morocco	1.12 lbs.
Baril	Argentine Republic and Mexico	20.0787 gals.
Barrel	Malta (customs)	11.4 gals.
"	Spain (raisins)	100 lbs.
Berkovets	Russia	361.12 lbs.
Boll. or Bole	Scotland, Ireland	4 Winchr bu.
Bongkai	India	832 grains
Bouw	Sumatra	7,096.5 sq. meters
Bu	Japan	0.1 inch
Butt (wine)	Spain	140 gals.
Caffiso	Malta	5.4 gals.
Candy	India (Bombay)	529 lbs.
"	India (Madras)	500 lbs.
Cantar	Egypt	99.05 lbs. av.
"	Morocco	113 lbs.
"	Syria (Damascus)	575 lbs.
"	Turkey	124.7036 lbs
Cantaro (cantar)	Malta	175 lbs.
Carga	Mexico, Salvador	300 lbs.
Catty	China	1.333⅓ lbs.; at treaty ports, 1.33⅓ lbs.
"	Japan	1.31 lbs.
"	Java, Siam, Malacca	1.35 lbs.
"	Sumatra	2.12 lbs.
Centaro	Central America	4.2631 gals.
Centner	Bremen, Brunswick	117.5 lbs.
"	Darmstadt	110.24 lbs.
"	Denmark, Norway	110.11 lbs.
"	Nuremberg	112.43 lbs.
"	Prussia	113.44 lbs.
"	Sweden	93.7 lbs.
"	Vienna	123.5 lbs.
"	Zollverein	110.24 lbs.
"	Double or metric	220.46 lbs.
Chetvert	Russia	5.7748 bu.
Chih	China	14 inches
Cho	Japan	2.4507 acres
Comb	England	4 bu.
Coyan	Sarawak	3,098 lbs.
"	Siam (Koyon)	2,667 lbs.

FOREIGN WEIGHTS AND MEASURES (Continued)

Denominations	Where Used	American Equivalents
Cuadra	Argentine Republic	4.2 acres
"	Paraguay	78.9 yards
"	Paraguay (sq.)	8.077 sq. ft.
"	Uruguay	Nearly 2 acres
Cubic meter	Metric	35.3 cu. ft.
Cwt. (hundredweight)	British	112 lbs.
Dessiatine	Russia	2,6997 acres
"	Spain	1.599 bu.
Drachme	Greece	Half ounce
Fanega (dry)	Central America	1.5745 bu.
"	Chili	2.575 bu.
"	Cuba	1.599 bu.
"	Mexico	1.54728 bu.
"	Morocco	Strike fanega, 70 lbs.; full fanega, 118 lbs.
"	Uruguay (double)	7.776 bu.
"	Uruguay (single)	3.888 bu.
"	Venezuela	1.599 bu.
Fanega (liquid)	Spain	16 gals.
Feddan	Egypt	1.03 acres
Frail (raisins)	Spain	50 lbs.
Frasco	Argentine Republic	2.5096 qts.
"	Mexico	2.5 qts.
Frasila	Zanzibar	35 lbs.
Fuder	Luxemburg	264.17 gals.
Fun	Russia	0.9028 lbs.
Garnice	Russian Poland	0.88 gal.
Gram	Metric	15.432 grains
Hectare	Metric	2.471 acres
Hectoliter: Dry	"	2,838 bu.
Liquid	"	26,417 gals.
Joch	Austria Hungary	1.422 acres
Ken	Japan	6 feet
Kilogram (kilo)	Metric	2.2046 lbs.
Kilometer	"	0.621376 mile
Klafter	Russia	216 cu. ft.
Koku	Japan	4.9629 Imp. bu.
Korree	Russia	3.5 bu.
Kwamzme	Japan	8.28 lbs.
Last	Belgium, Holland	85.134 bu.
"	England (dry malt)	82.52 bu.
"	Germany	2 metric tons (4.480 lbs.)
"	Prussia	112.29 bu.
"	Russian Poland	11⅛ bu.
"	Scotland, Ireland	10 quarters
"	Spain (salt)	4,760 lbs.
League (land)	Paraguay	4.633 acres
Li	China	2,115 ft.
Libra (lb.)	Argentine Republic	1.0127 lbs.
"	Central America	1.043 lbs.
"	Chili	1.014 lbs.
"	Cuba	1.0161 lbs.
"	Mexico	1.01465 lbs.
"	Peru	1.0143 lbs.
"	Portugal	1.011 lbs.
"	Spain	1.0144 lbs.
"	Uruguay	1.0143 lbs..
"	Venezuela	1.0161 lbs.

FOREIGN WEIGHTS AND MEASURES (Continued)

Denominations	Where Used	American Equivalents
Liter	Metric	1.0567 quarts
Livre (lb.)	Greece	1.1 lbs.
"	Guiana	1.0791 lbs.
Load	England (timber)	Sq. 50 cu. ft.; unhewn, 40 cu. ft.; inch planks, 600 superficial ft.
Manzana	Costa Rica	1 5-6 acres
"	Nicaragua, Salvador	1.727 acres
Marc	Bolivia	9.507 lb.
Maund	India	82 2-7 lbs.
Meter	Metric	39.37 inches.
Mil	Denmark	4.68 miles
Mil	Denmark (geographical)	.61 miles
Milla	Nicaragua and Honduras	1.1493 miles
Mna	Greece	3.3069 lbs. av.
Morgen	Prussia	0.63 acre
Ocque	Greece	2.84 lb. av.
Oke	Egypt	2.8052 lbs.
"	Greece	2.84 lbs.
"	Hungary	3.0817 lbs.
"	Turkey	2.82838 lbs.
"	Hungary and Wallachia	2.5 pints
Pic	Egypt	21½ inches
Picul	Borneo and Celebes	135.64 lbs.
"	China, Japan and Sumatra	133⅓ lbs.
"	Java	135.1 lbs.
"	Philippine Island	137.9 lbs
Pie	Argentine Republic	0.91407 foot
"	Spain	0.9479 foot
Pik	Turkey	27.9 inches
Pood	Russia	36.112 lbs.
Pund (lb)	Denmark and Sweden	1.102 lbs.
Quarter	Great Britain	8.252 bu.
"	London (coal)	36 bu.
Quintal	Argentine Republic	101.42 lbs.
"	Brazil	130.06 lbs
"	Castile, Chili, Mexico and Peru	101.41 lbs.
"	Greece	123.2 lbs.
"	Newfoundland (fish)	112 lbs.
"	Paraguay	100 lbs.
"	Syria	125 lbs.
"	Metric	220.46 lbs.
Rottle	Palestine	6 lbs.
"	Syria	5½ lbs.
Sack	England	4 bu. of flour, it is 480 lbs.
Sagene	Russia	7 feet
Salm	Malta	490 lbs.
Se	Japan	0.02451 acre
Seer	India	1 lb. 13 ozs.
Shaku	Japan	11.9305 inches
Sho	"	1.6 quarts
Standard (Petrograd)	Lumber measure	165 cu. ft.
Stone	British	14 lbs.
Suerte	Uruguay	2,700 cuad. (see cuadra)
Sun	Japan	1.193 inches
Tael	Cochin China	590.75 grs. (tray)

FOREIGN WEIGHTS AND MEASURES (Continued)

Denominations	Where Used	American Equivalents
Tan	Japan	0.25 acres
Tchetvert	Russia	5.77 Imper. bu., or 5.95 Winchester bu.
To	Japan	2 pecks
Ton	Space measure	40 cu. ft.
Tonde (cereals)	Denmark	3.94783 Winchester bu.
Toneland	"	136 acres
Tonne	France	2204.62 lbs. av.
Tsubo	Japan	6 ft. sq.
Tsun	China	1.41 inches
Tunna	Sweden	4.5 bu.
Tunnland	"	1.22 acres
Vara	Argentine Republic	34.1208 inches
"	Central America	32.87 inches
"	Chili and Peru	33.367 inches
"	Cuba	33.384 inches
"	Curacao	33.375 inches
"	Mexicc	33 inches
"	Paraguay	34 inches
"	Spain	0.914117 yd.
"	Venezuela	33.384 inches
Vedro	Russia	2.707
Vergees	Isle of Jersey	71.1 sq. rods
Verst	Russia	0.663 mile
Vlocka	Russian Poland	41.98 acres
Wey	Scotland and Ireland	quarters

UNITED STATES EXPORTS—DOMESTIC AND FOREIGN

Fiscal Year.	Domestic.	Foreign.	Total.	Fiscal Year.	Domestic.	Foreign.	Total.
1800..	31,840,903	39,130,877	70,971,780	1886..	665,964,529	13,560,301	679,524,830
1810..	42,366,675	24,791,295	66,757,970	1887..	703,022,923	13,160,288	716,183,211
1820..	51,683,640	18,008,029	69,691,669	1888..	683,862,104	12,092,403	695,954,507
1830..	58,524,878	13,145,857	71,670,735	1889..	730,282,600	12,118,766	742,401,375
1840..	111,660,561	12,008,371	123,668,932	1890..	845,293,828	12,534,856	857,828,084
1850..	134,900,233	9,475,493	144,375,726	1891..	872,270,288	12,210,527	884,480,810
1855..	192,751,135	26,158,368	218,909,503	1892..	1,015,732,011	14,546,137	1,030,278,148
1860..	316,242,423	17,333,634	333,576,057	1893..	831,030,785	16,634,409	847,665,194
1861..	204,899,616	14,654,217	219,553,833	1894..	869,204,937	22,935,635	892,140,572
1862..	179,644,024	11,026,477	190,670,501	1895..	793,392,599	14,145,566	807,538,165
1863..	186,003,912	17,960,535	203,964,447	1896..	863,200,487	19,406,451	882,606,938
1864..	143,504,027	15,333,961	158,837,988	1897..	1,032,007,603	18,985,953	1,050,993,556
1865..	136,940,248	29,089,055	166,029,303	1898..	1,210,291,913	21,190,417	1,231,482,330
1866..	337,518,102	11,341,420	348,859,522	1899..	1,203,931,222	23,092,080	1,227,023,302
1867..	279,786,809	14,719,332	294,506,141	1900..	1,370,763,571	23,719,511	1,394,483,082
1868..	269,389,900	12,562,999	281,952,899	1901..	1,460,462,806	27,302,185	1,487,764,991
1869..	275,166,697	10,951,000	286,117,697	1902..	1,355,481,861	26,237,540	1,381,719,401
1870..	376,616,473	16,155,295	392,771,768	1903..	1,392,231,302	27,910,377	1,420,141,679
1871..	428,398,908	14,421,270	442,820,178	1904..	1,435,179,017	25,648,254	1,460,827,271
1872..	428,487,131	15,690,455	444,177,586	1905..	1,491,744,641	26,817,025	1,518,561,666
1873..	505,033,439	17,446,483	522,479,922	1906..	1,717,953,382	25,911,118	1,743,864,500
1874..	569,433,421	16,489,619	586,283,040	1907..	1,853,718,034	27,133,044	1,880,851,078
1875..	499,284,100	14,158,611	513,442,711	1908..	1,834,786,357	25,986,989	1,860,773,346
1876..	525,582,247	14,802,424	540,384,671	1909..	1,638,355,593	24,655,511	1,663,011,104
1877..	589,670,224	12,804,996	602,475,220	1910..	1,710,083,998	34,900,722	1,744,984,720
1878..	680,709,268	14,156,498	694,865,766	1911..	2,013,549,025	35,771,174	2,049,320,199
1879..	698,340,790	12,098,651	710,439,441	1912..	2,170,319,828	34,002,581	2,204,322,409
1880..	823,946,353	11,692,305	835,638,658	1913..	2,428,506,358	37,377,791	2,465,884,149
1881..	883,925,947	18,451,399	902,377,346	1914..	2,329,684,025	34,895,123	2,364,579,148
1882..	733,239,732	17,302,525	750,542,257	1915..	2,716,178,465	52,410,875	2,768,589,340
1883..	804,223,632	19,615,770	823,839,402	1916..	4,272,177,579	61,305,306	4,333,482,885
1884..	724,964,852	15,548,757	740,513,609	1917..	6,227,164,050	62,884,344	6,290,048,394
1885..	726,682,946	15,506,809	742,189,755	1918..	5,847,159,678	81,125,963	5,928,285,641

Figures for exports include gold and silver prior to 1830

Total exports per capita of population—(1800), $13.37; (1810), $9.22; (1820), $7.22; (1830), $5.57; (1840), $7 25; (1850), $6.23; (1860), $10.61; (1870), $9.77; (1880), $16.43; (1890), $13.43; (1900), $17.76; (1910), $18.28; (1916), $14.33; (1917), $54.82.

The relative percentage of the various kinds of domestic exports in the year ended June 30, 1918, was as follows: Crude materials for use in manufacturing, 15.35; foodstuffs in crude condition, and food animals, 6.42; foodstuffs, partly or wholly manufactured, 19.73; manufactures for further use in manufacturing, 20.59; manufactures ready for consumption, 37.47; miscellaneous, 0.44.

THE PURCHASING POPULATION OF VARIOUS COUNTRIES

—o—

The estimates of the urban population in South America, Central America, and some of the other important markets tabulated with the idea that to the average American manufacturer these figures give a better indication of the extent of the purchasing market than any other single class of population figures. The figures here given for urban population are only approximate. They were prepared by Dr. E. E. Pratt for the Department of Foreign and Domestic Commerce.

Countries	Total population	Urban (purchasing) population	Total imports	Imports from United States
South America:				
Argentina	8,700,000	2,560,000	$406,805,000	$59,862,099
Bolivia	2,521,000	214,000	21,358,000	1,900,000
Brazil	24,308,000	2,953,000	326,865,000	51,358,000
Chile	3,464,000	986,000	120,274,000	20,089,000
Colombia	5,473,000	545,000	26,987,000	7,630,000
Ecuador	1,500,000	315,000	11,653,000	2,764,000
Paraguay	800,000	201,000	8,120,000	488,011
Peru	5,800,000	331,000	29,631,000	8,542,000
Uruguay	1,226,000	442,000	50,666,000	6,300,001
Venezuela	2,756,000	343,000	17,005,000	6,158,000
Total	56,548,000	8,880,000	1,018,364,000	165,091,000
Central America:				
Costa Rica	411,000	69,000	8,685,000	4,468,000
Guatemala	2,119,000	204,000	10,062,000	5,053,000
Honduras	589,000	107,000	5,133,000	3,464,000
Nicaragua	690,000	240,000	5,768,000	3,244,000
Panama	387,000	81,000	9,872,000	5,413,000
Salvador	1,210,000	198,000	6,167,000	2,490,000
Total	5,406,000	899,000	45,687,000	24,132,000
Latin America, other:				
Cuba	2,474,000	1,026,000	133,975,000	71,380,000
Haiti	2,500,000	165,000	10,935,000	6,499,000
Mexico	15,446,000	1,693,000	93,020,000	44,510,000
Dominican Rep.	725,000	72,000	9,272,000	5,769,000
Total	21,145,000	2,956,000	247,202,000	128,158,000
China	336,042,000	a7,774,300	427,406,000	25,826,000
Japan b	52,985,000	8,300,000	363,257,000	60,959,000
British India	315,133,000	29,748,000	594,521,000	15,544,000
Australia	5,044,000	2,417,000	388,102,000	46,342,000
British South Africa	5,973,000	c331,000	187,489,000	17,851,000
Russia	167,920,000	24,157,000	603,463,000	45,026,000
Turkey	20,600,000	3,507,000	193,024,000	5,280,000
New Zealand	1,152,000	425,000	108,466,000	10,259,000
Egypt	11,287,000	1,540,000	137,738,000	2,596,000

a **Estimated population of 45 treaty ports in 1912. The total foreign population of China in 1912 was 145,000.**

b **Total population, 1914; purchasing population, 1908.**

c **White population in cities. Total population of Europeans, 1,276,000.**

LARGEST CITIES OF THE EARTH

(The figures in parenthesis indicate the date of the census or official estimate.)

Cities	Population	Cities	Population
New York (1917)	5,737,492	Boston, U. S. A. (1910)	671,000
London	4,522,964	Cairo, Egypt (1907)	654,000
Paris, France (1911)	2,888,000	Montreal, Canada	650,000
Tokio, Japan (1908)	2,186,000	Fuchow, China	650,000
Chicago, U. S. A. (1910)	2,185,000	Sydney, N.S.Wales (1911)	641,000
Berlin, Prussia (1910)	2,071,000	Shanghai, China	639,000
Vienna, Austria (1910)	2,031,000	Bangkok, Siam (1909)	630,000
Petrograd, Russia (1910)	1,908,000	Chungking, China	600,000
Phila. U. S. A. (1910)	1,550,000	Milan, Italy (1911)	599,000
Moscow, Russia (1909)	1,481,000	Madrid, Spain (1910)	598,000
Canton, China	1,250,000	Munich, Bavaria (1910)	596,000
Osaka, Japan (1908)	1,227,000	Melbourne, Vic. (1911)	594,000
Rio De Janeiro, Brazil (1910)	1,130,000	Leipzig, Saxony (1910)	590,000
Buenos Ayres (1905)	1,026,000	Barcelona, Spain (1910)	587,000
Calcutta, Indiana (1911)	1,222,000	Amsterdam, Neth. (1909)	568,000
Peking, China	1,000,000	Cleveland U. S. A. (1910)	561,000
Bombay, India (1911)	980,000	Copehnagen, Den. (1911)	559,000
Hamburg, Ger. (1910)	931,000	Baltimore, U.. S. A. (1910)	558,000
Hankow, China	900,000	Marseilles, France (1911)	551,000
Budapest, Hung. (1910)	880,000	Dresden, Saxony (1910)	548,000
Tientsin, China	850,000	Rome, Italy, (1911)	539,000
Birmingham, Eng. (1911)	840,000	Pittsburgh, U.S.A. (1910)	534,000
Glasgow, Scotland (1911)	785,000	Lyons, France (1911)	524,000
Warsaw, Poland (1909)	781,000	Madras, India (1911)	520,000
Liverpool, Eng. (1911)	748,000	Cologne, Prussia (1910)	517,000
Naples, Italy (1911)	723,000	Breslin, Prussia (1910)	512,000
Manchester, Eng. (1911)	716,000	Hyderabad, India (1911)	500,000
St. Louis, U. S. A. (1910)	687,000	Suchow, China	500,000

FOREIGN COMMERCE OF THE UNITED STATES

A GENERAL SUMMARY

Fiscal Year	Tot. Imports and Exports Dollars	Fiscal Year	Tot. Imports and Exports Dollars
1800	162,224,548	1886	1,314,960,966
1810	152,157,970	1887	1,408,502,979
1820	144,141,669	1888	1,419,911,621
1830	134,391,691	1889	1,487,533,027
1840	221,927,638	1890	1,647,139,093
1850	316,885,252	1891	1,729,397,006
1855	476,718,211	1892	1,857,680,610
1860	687,192,176	1893	1,714,066,116
1861	506,864,375	1894	1,547,135,194
1862	380,027,178	1895	1,539,508,130
1863	447,300,262	1896	1,662,331,612
1864	475,285,291	1897	1,815,723,968
1865	404,774,883	1898	1,847,531,984
1866	783,671,588	1899	1,924,171,791
1867	690,267,237	1900	2,244,424,266
1868	639,389,339	1901	2,310,937,156
1869	703,624,076	1902	2,285,040,349
1870	828,730,176	1903	2,445,860,916
1871	963,043,862	1904	2,451,914,642
1872	1,070,772,663	1905	2,636,074,737
1873	1,164,616,132	1906	2,970,426,946
1874	1,153,689,382	1907	3,315,272,503
1875	1,046,448,147	1908	3,055,115,138
1876	1,001,125,861	1909	2,974,931,328
1877	1,053,798,346	1910	3,301,932,150
1878	1,131,917,298	1911	3,576,546,304
1879	1,156,217,216	1912	3,857,587,343
1880	1,503,593,404	1913	4,278,892,383
1881	1,545,041,974	1914	4,258,504,805
1882	1,475,181,831	1915	4,442,759,085
1883	1,547,020,316	1916	6,531,366,390
1884	1,408,211,302	1917	8,949,403,579
1885	1,319,717,084	1918	8,874,345,044

CABLE RATES FROM NEW YORK TO WORLD'S PRINCIPAL CITIES

	Per Word
Abyssinia	$0.64
Algeria	.32
Alexandria (Egypt)	.50
Antigua	.36
Argentina	.50
Austria	.32
Barbados	.36
Belgium	.25
Bermuda	.42
Bolivia	.50
Brazil	.70 to 1.36
Bulgaria	.35
Burmah	.66
Callao (Peru)	.50
Cairo (Egypt)	.50
Cape Colony (S. Af.)	.86
Ceylon	.66
Chile	.50
China	1.22
Cochin, China	.99
Colon	.30
Cyprus	.50
Demerara	.36
Denmark	.35
Ecuador	.50
England	.25
France	.25
Germany	.25
Gibraltar	.43
Greece	.36
Guatemala	.49
Havana	.15
Hayti	.80 to $1.30
Holland	.25
Honolulu	.37
Hungary	.32
Iceland	.35
India	.66
Ireland	.25
Italy	.31
Jamaica	.36
Japan	1.33
Java	1.00
Korea (Seoul)	1.33
Malta	.35
Martinque	.95
Matanzas	.20
Melbourne, Vic.	.66
Natal (So. Africa)	.86
New South Wales	.66
New Zealand	.58
Norway	.35
Orange River Colony	.86
Panama	.30
Paraguay	.50
Penang	.94
Peru	.50
Philippine Islands, Manila	1.12
Other offices	1.17 to 1.30
Porto Rico	.50
Portugal	.39
Queensland	.66
Roumania	.46
Russia (Europe)	.43
Russia (Asia)	.43
Santo Domingo	.80
Scotland	.25
Serbia	.34
Siam	.94
Sicily	.31
Singapore	.94
Spain	.38
St. Thomas	.50
Sweden	.38
Switzerland	.30
Sydney (N. S. W.)	.66
Tangier	.36
Tasmania	.99
Transvaal	.86
Trinidad	.36
Turkey (Europe)	.36
Turkey (Asia)	.45
Uruguay	.50
Venezuela	1.00
Vera Cruz	$1.75, 10 wds.
Victoria (Australia)	66

These rates are subject to change.

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